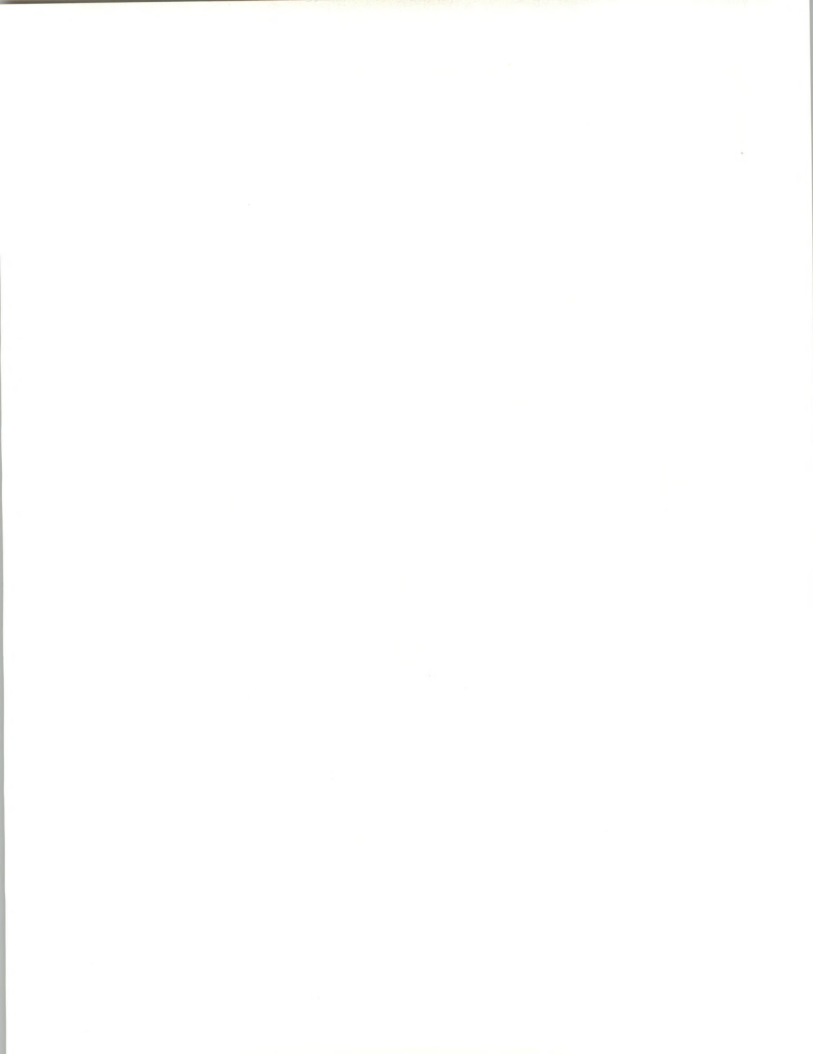


“IBM runs our computer center as it’s supposed to be run—as a profit center, not a cost center.”

Kathy Hudson, Kodak

Source: *Fortune* article

OU-2a  
11/11/91

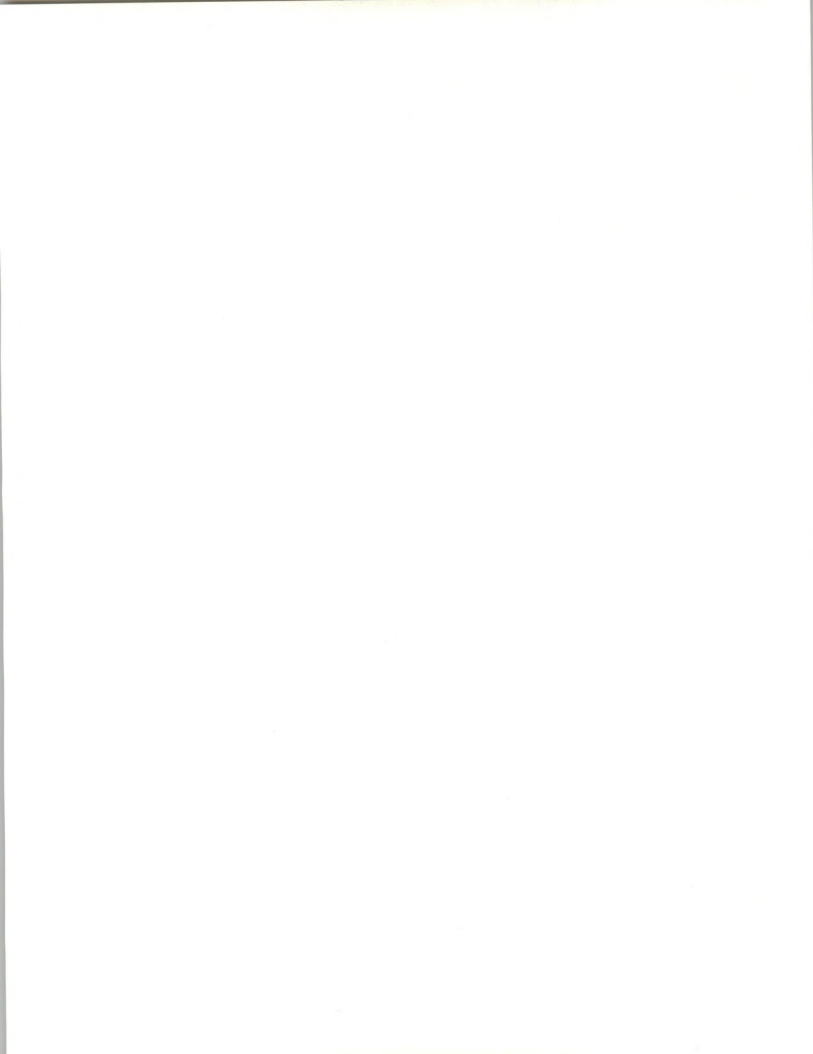


“I haven’t lost 200 people,  
I’ve gained 50,000.”

Jack Livingston,  
National Car Rental

Source: *Fortune* article

OU-3a  
11/11/91



Outsourcing is the  
contracting of information  
systems processes to  
external vendors.

OU-6a  
9/3/91



# IS Outsourcing Areas

1. Systems operations
2. Applications management
3. Network operations
4. Desktop services

OU-7  
4/15/92





# “Outsourcing” vs. Buying Services

- Greater commitment on part of buyer
- “Partnership”
- Responsibility/risk for vendors

OU-11



# Driving Forces—Outsourcing

Category	Outsourcing
Staff	Scarcity of talents
Technology	Increasing complexity New technology

OU-24  
9/3/91



# Driving Forces—Outsourcing

Category	Outsourcing
Response	Service requirements Flexible operations
Financial	Cost reduction New scales of economy
Management	Executive refocus

OU-25  
11/11/91



# Inhibiting Factors Outsourcing

Category	Outsourcing
Management	Loss of control
Fallback	Inability to reverse decision

OU-25a  
10/25/91





# Inhibiting Factors Outsourcing

Category	Outsourcing
Financial	Uncertain savings
Staff	Threat to organization

OU-25b  
10/25/91



# Outsourcing User Issues

- Business environment
  - Critical value of information
  - Organizational impact
  - Flexibility for change

OU-25c  
10/25/91



# Outsourcing User Issues

- Operating environment
  - Dependency on vendor
  - Long-term stability
  - Improved service levels
  - Control over operating costs

OU-25d  
10/25/91



# Outsourcing

OU-43





# Conclusions

- Outsourcing is revolutionary
  - Functional responsibility to vendor
  - Increased dependence for clients
  - Increased risk for vendor

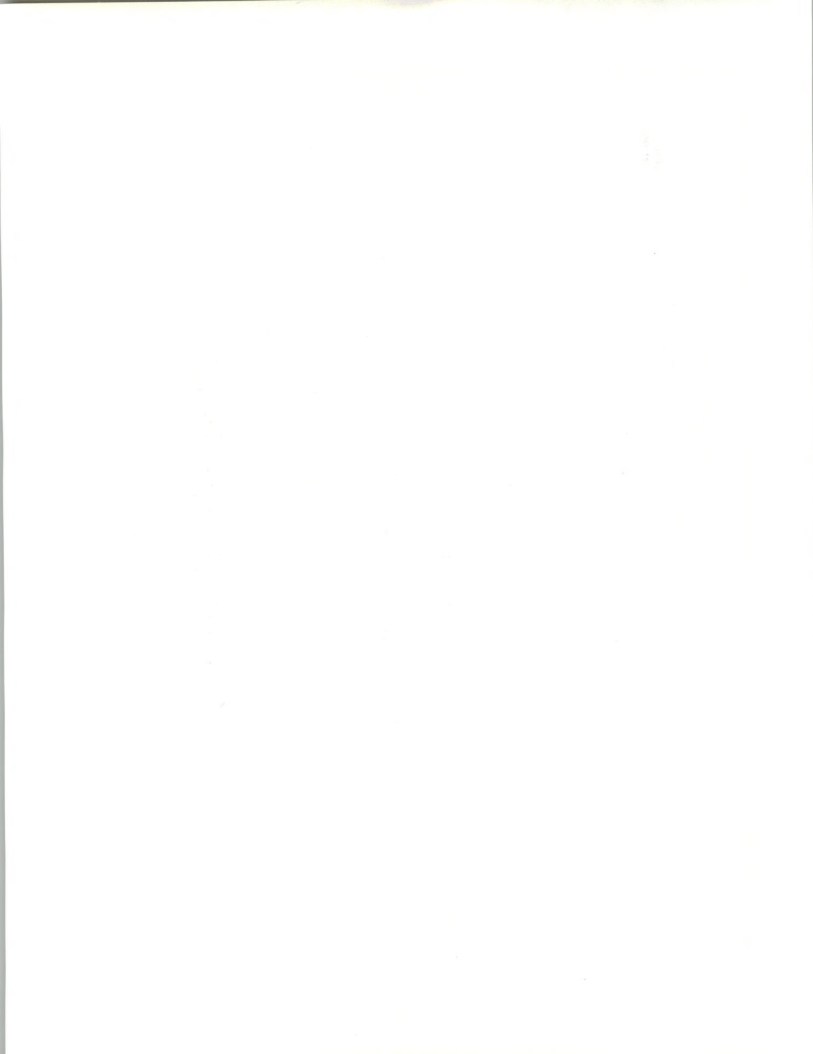
OU-46  
11/11/91



# Conclusions

- Outsourcing is revolutionary
  - Vendor/client partnerships
  - Vendor success tied to client success
  - Vendor provides all services

OU-47  
11/11/91



# Conclusions

- Outsourcing revolution continues
  - Deals are getting bigger
  - Larger vendors most successful
  - More services being outsourced

OU-48  
11/11/91



# The Outsourcing Revolution

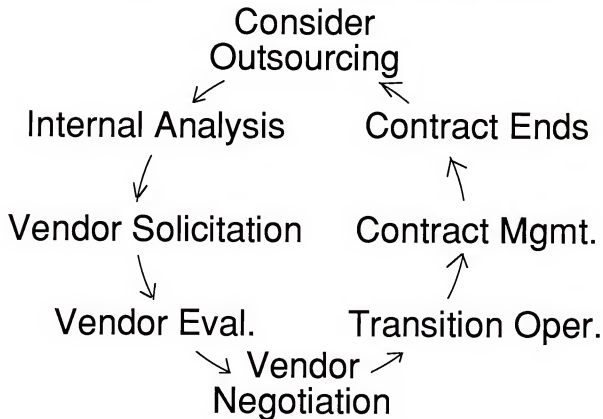
A new way of doing  
business . . . better

OU-49  
11/11/91





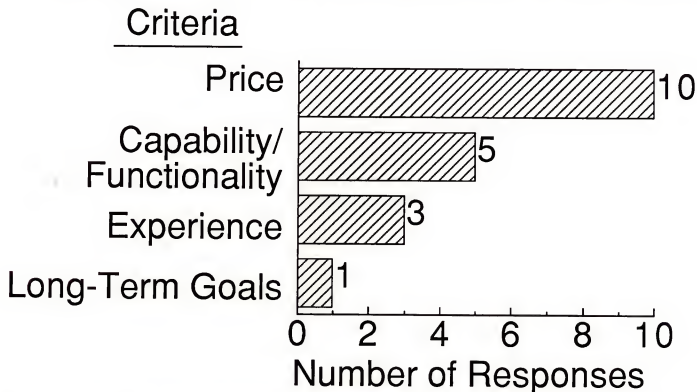
# Outsourcing Cycle



OU-50  
10/29/92



# Important Evaluation Criteria

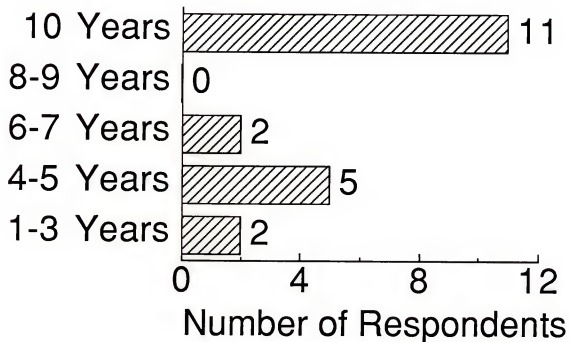


OU-52  
4/15/92

Note: 13 respondents answered the question



# Contract Length

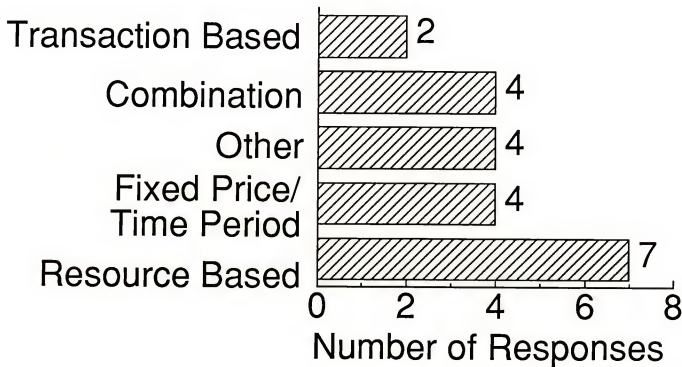


OU-53  
4/15/92

Average contract length: 7.7 years



# Pricing Terms



OU-54  
4/15/92

WM (8) 6-UP HARD COPY

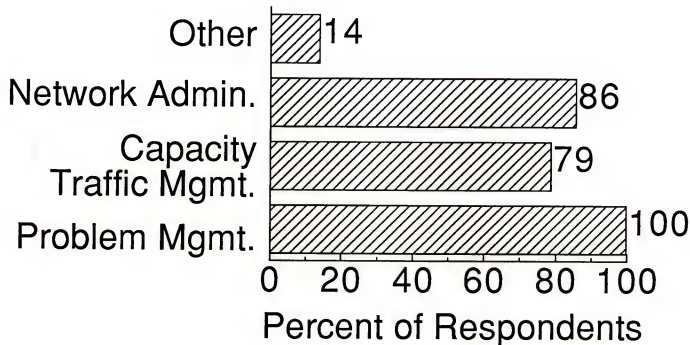


# Outsourcing of Network Management

OU-56  
4/15/92



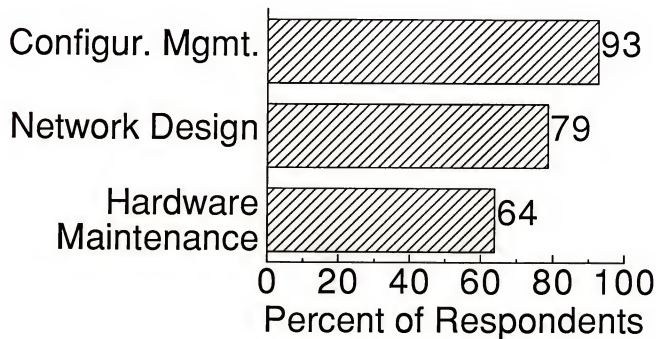
# Vendor Functions Provided



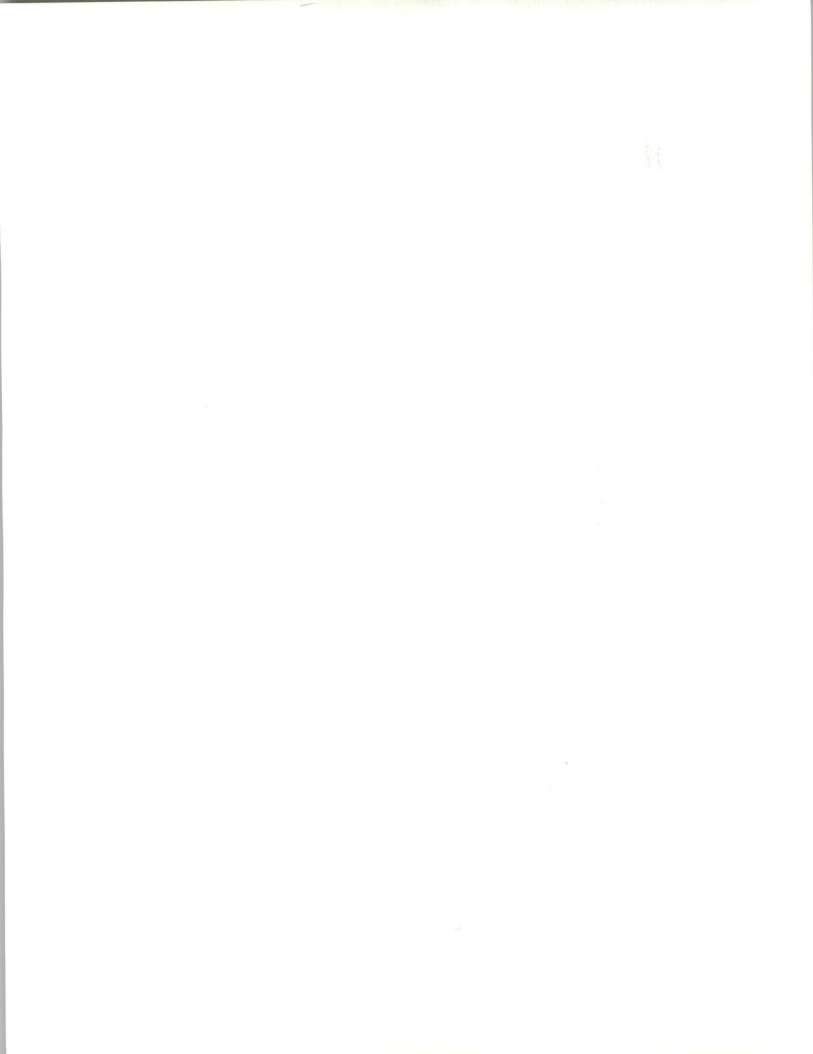
OU-58  
4/15/92

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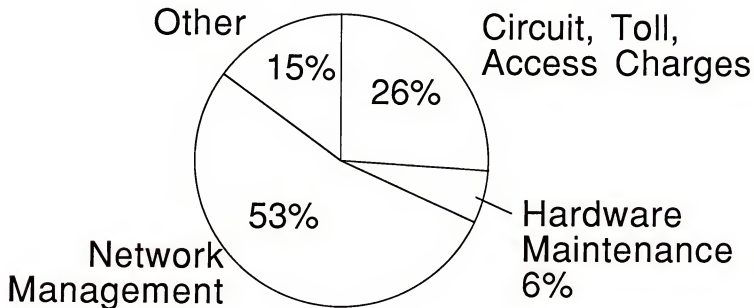
# Vendor Functions Provided



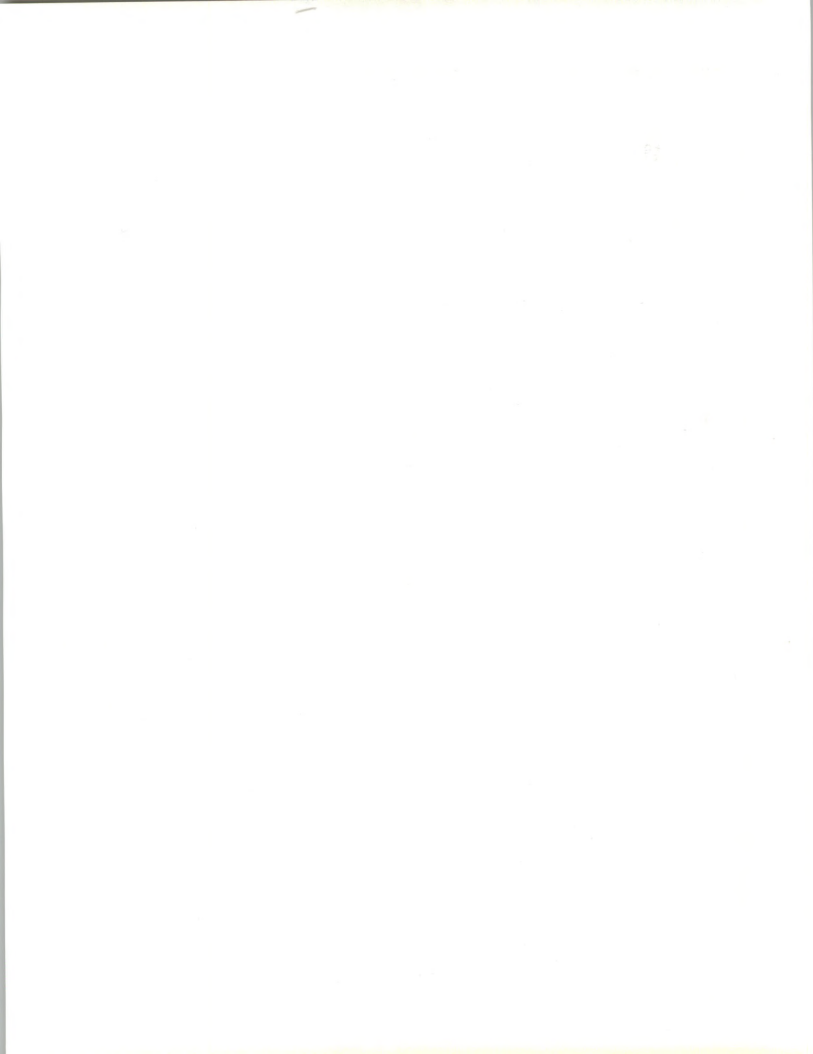
OU-59  
4/15/92



# Vendor Revenue by Type of Service

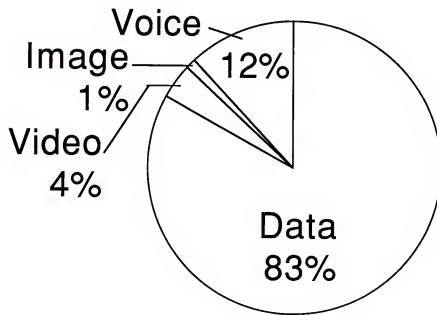


OJ-60  
4/15/92

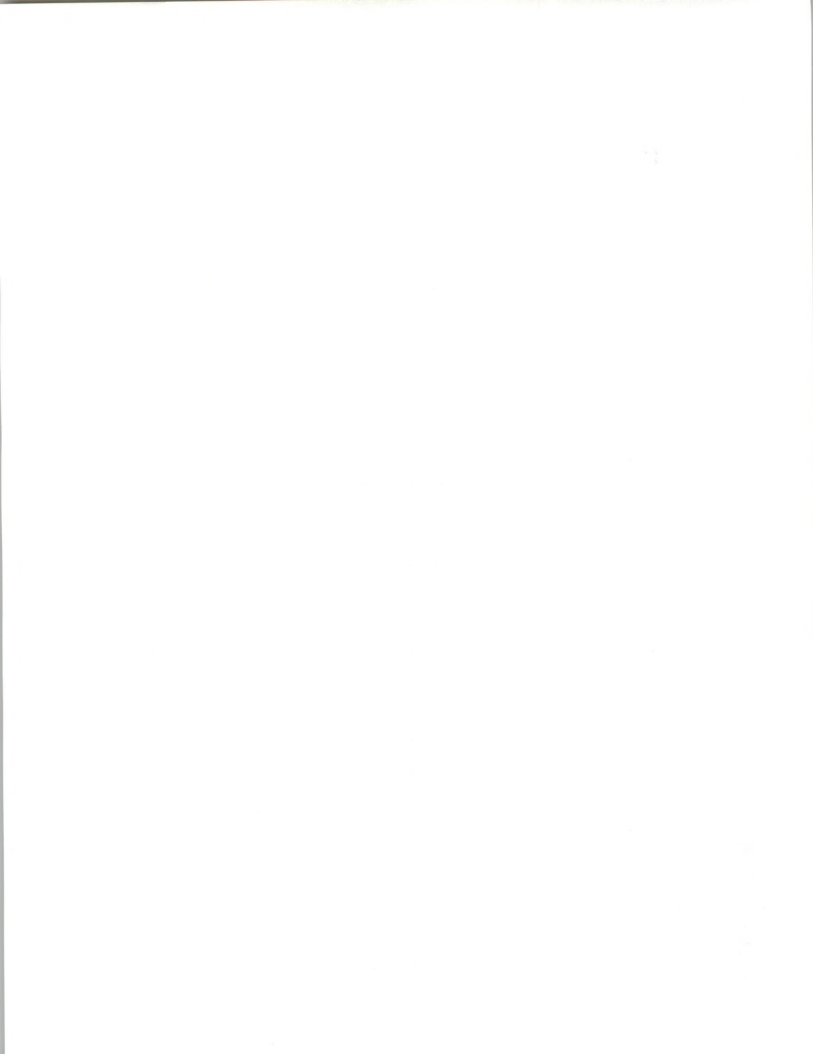




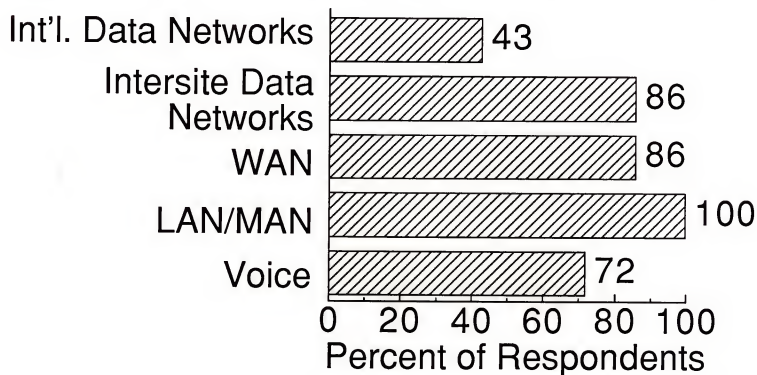
# Network Management Market



OU-61  
11/12/92



# User Networks Outsourced



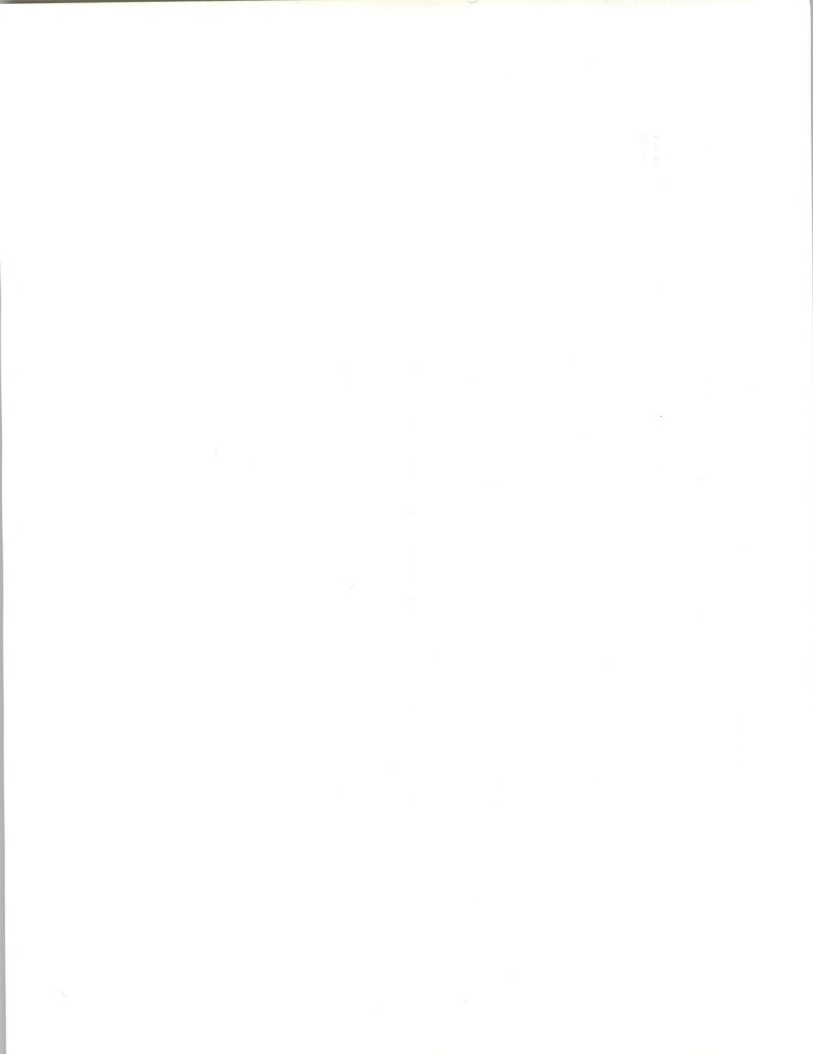
OU-64  
4/15/92



# Desktop Services

## A Key Outsourcing Opportunity

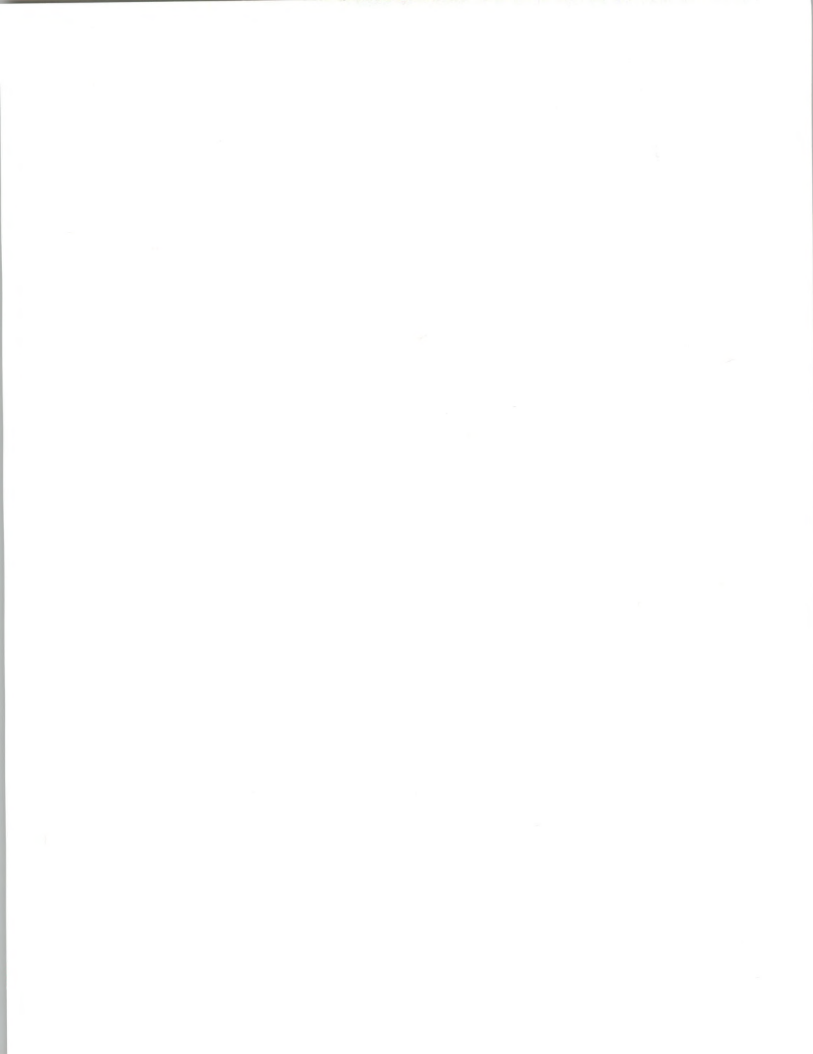
OU-65  
4/15/92



# Elements of Desktop Services

- PC/workstation and software procurement/installation
- PC/workstation maintenance
- Client/server management

OU-66  
8/19/92

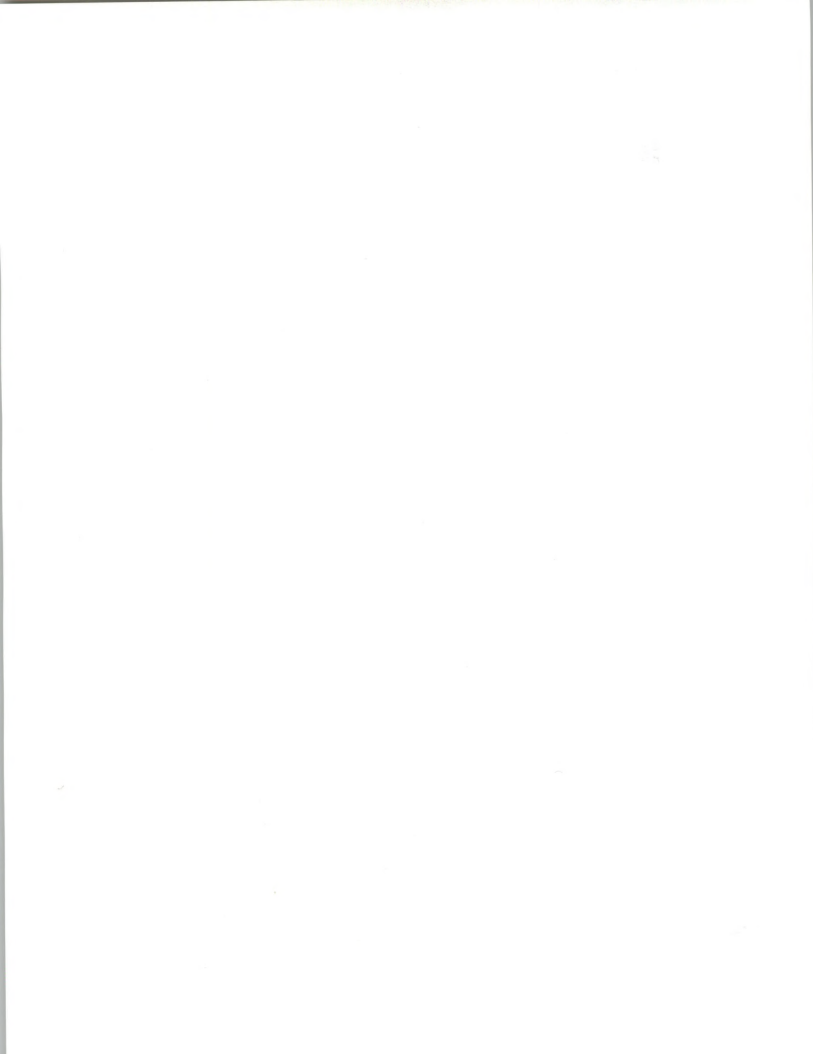




# Elements of Desktop Services

- LAN administration
- LAN expansion
- Help desk functions
- User training

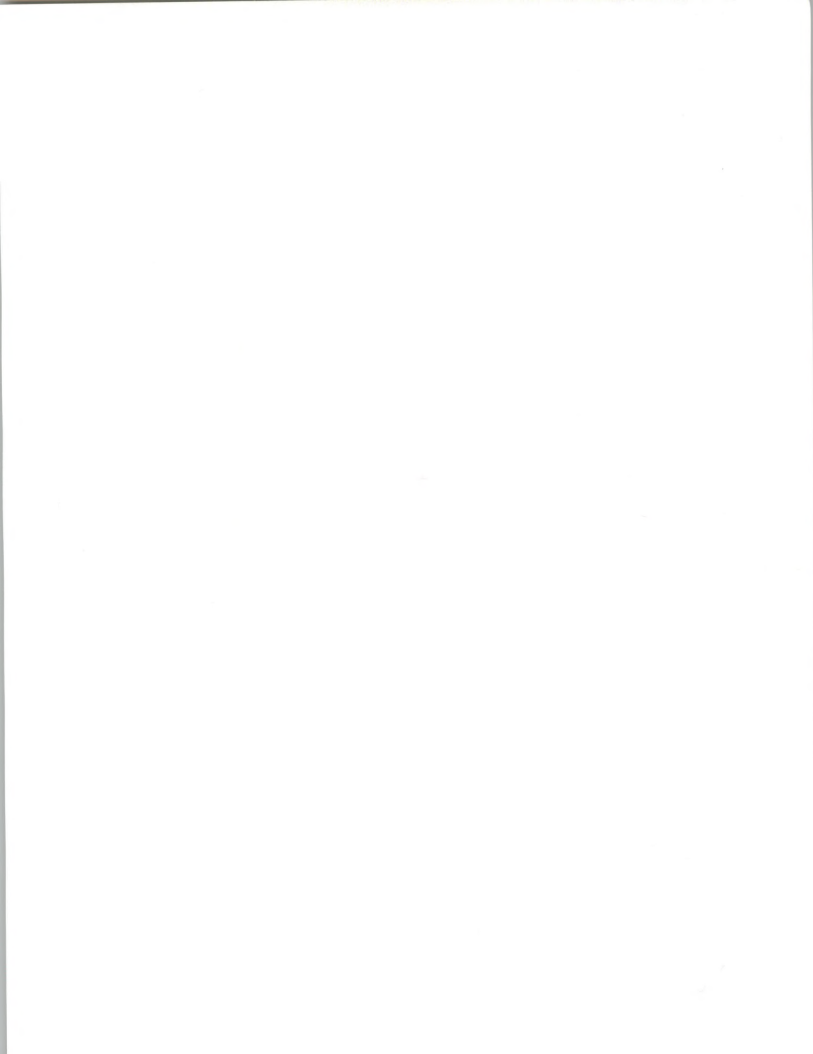
OU-67  
4/15/92



# Elements of Desktop Services

- LAN installation and expansion
- LAN management
- Network interface management

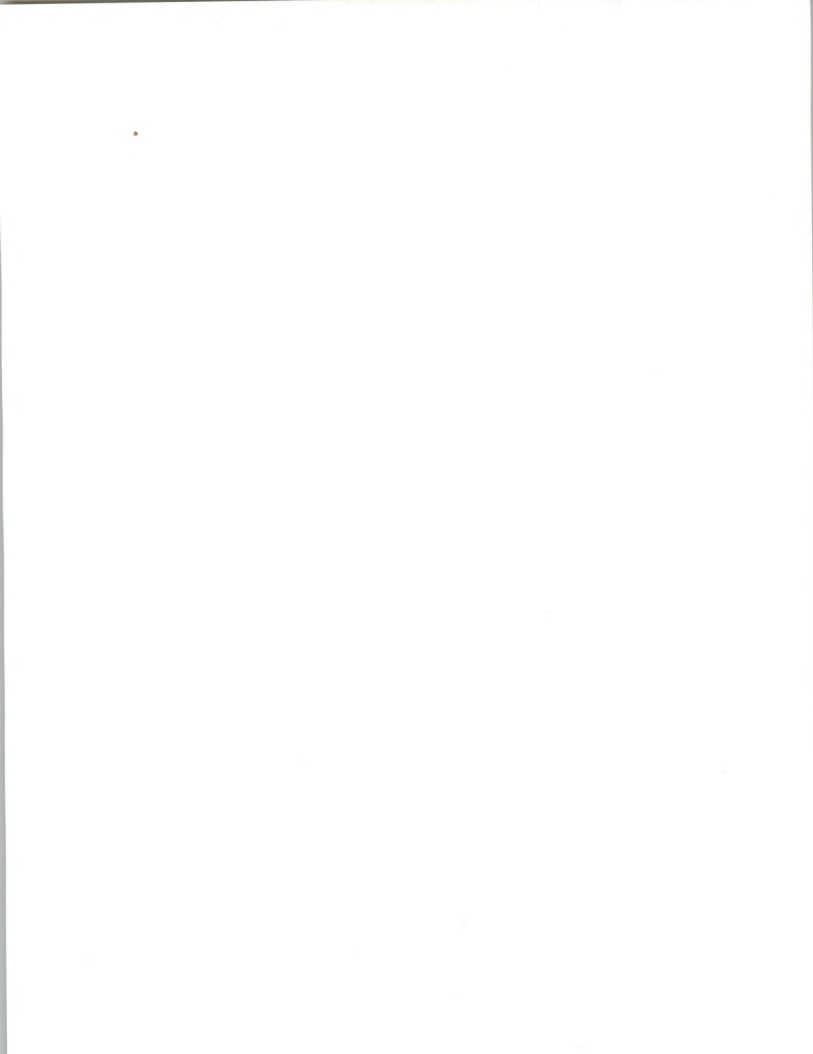
OU-67a  
8/19/92



# Elements of Desktop Services

- Logistics management
- User support
- Help desk functions
- User training and education

OU-67b  
8/19/92



# Desktop Services Providers

## Current

- EDS
- DEC
- ISSC
- SHL Systemhouse
- Computerland
- JWP

OU-68  
8/19/92

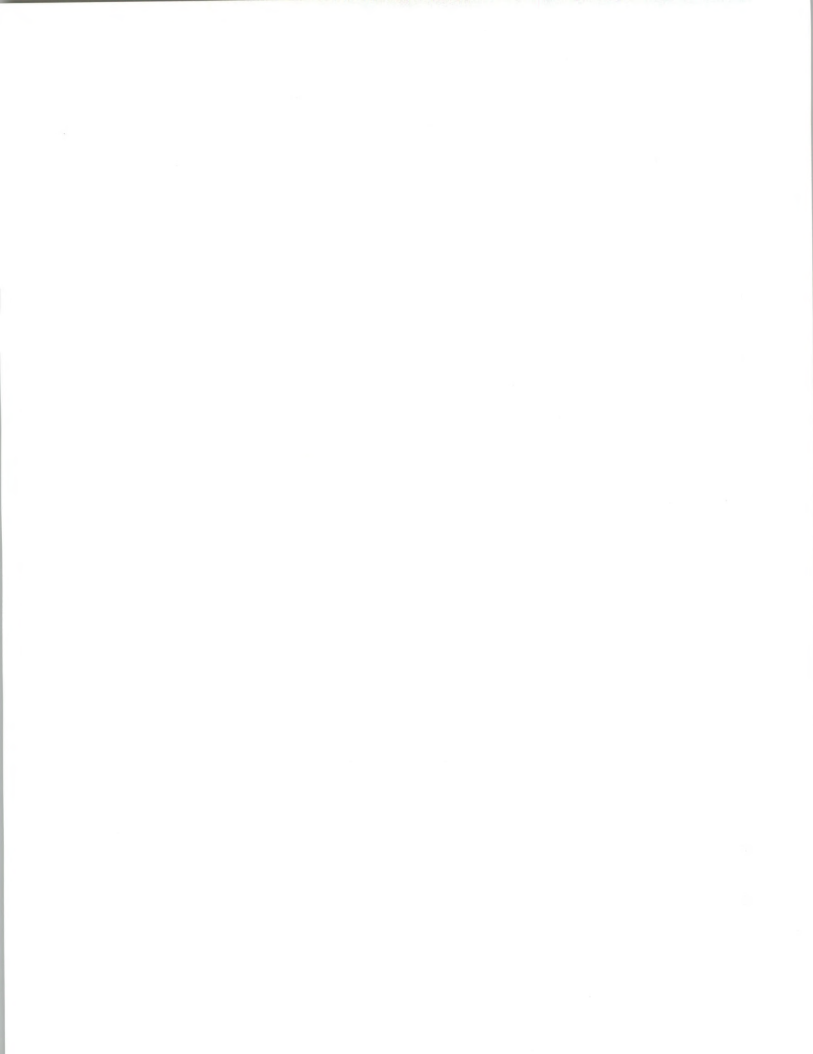




# Desktop Services Providers

- Potential
  - Integris
  - Bell Atlantic
  - Sears Business Center

OU-69  
10/29/92



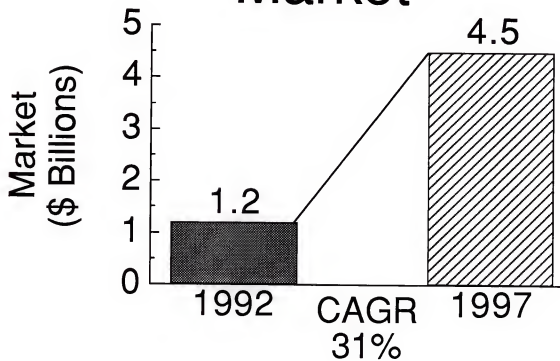
# Desktop Services User Concerns

- Core Business Focus
- Downsizing
- PC/LAN Based Applications
- Technological Change

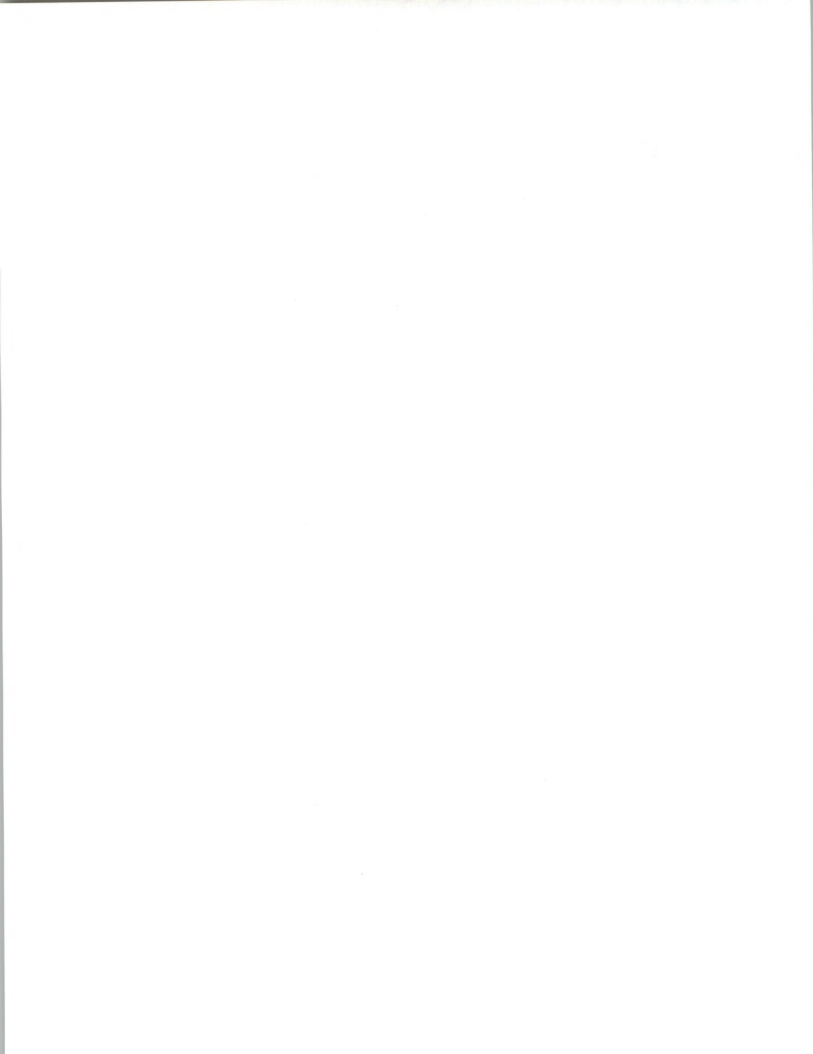
OU-70  
10/29/92



# U.S. Desktop Services Market

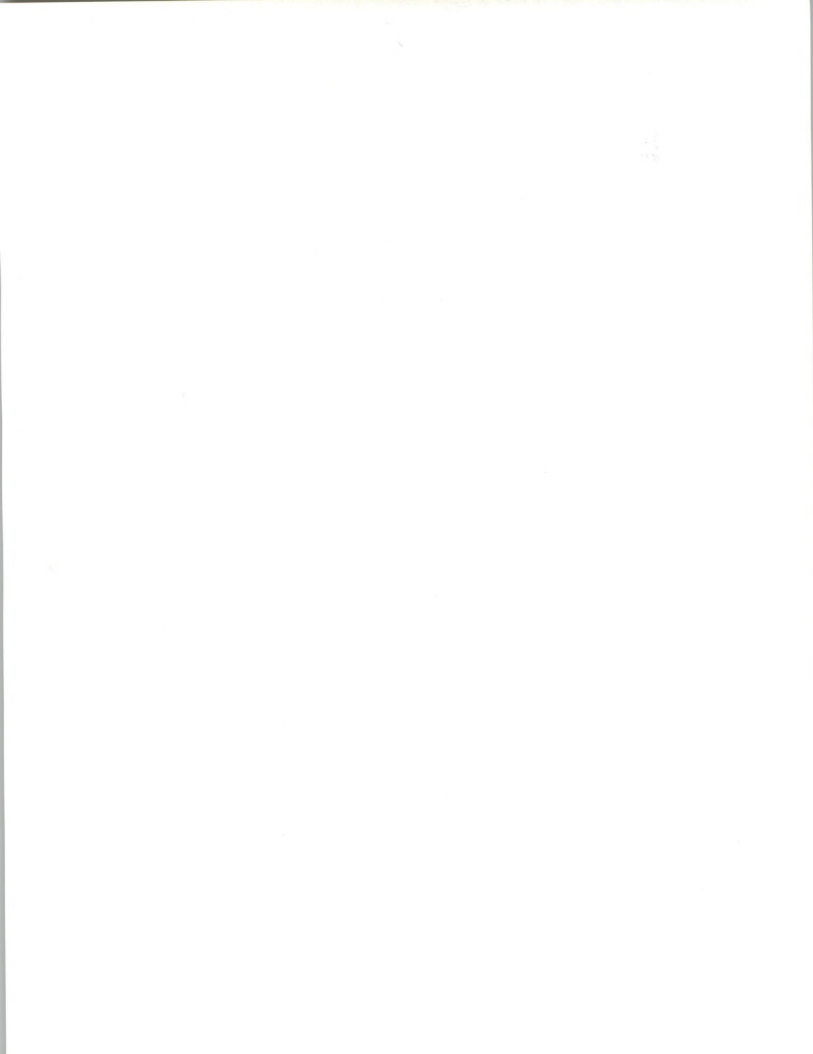


OU-71  
11/11/92



# Typical Desktop Contracts in the U.S.

OU-72  
4/15/92

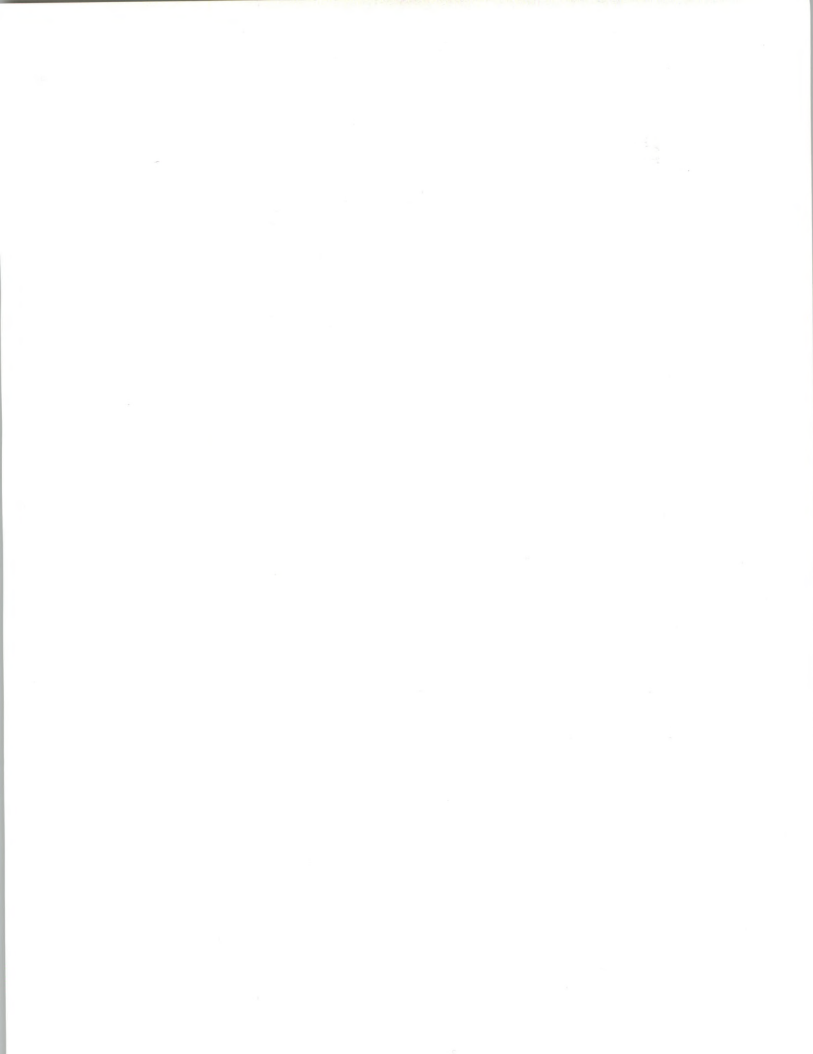




## JWP/Kodak

- Part III of large outsourcing contract (ISSC/DEC)
- Provide
  - PC/workstation maintenance
  - Software upgrade
  - Help desk services

OU-73  
4/30/92



# EDS/GE

- Contract valued at \$500 million (5 yrs.)
- Provides:
  - PC/workstation central purchasing
  - Establishment of product specs
  - PC/workstation maintenance
  - Software upgrade and training
  - Help desk

OU-74  
8/19/92



# DEC/Blockbuster Video

- International contract
- Provides:
  - Implementation and start-up service
  - Connectivity to network
  - Help desk
  - Hardware and software upgrade

OU-75  
4/15/92



# ISSC/Zale Corp.

- Part of large outsourcing contract
- Provides:
  - PC/workstation maintenance
  - Software upgrade
  - Help desk

OU-76  
4/15/92

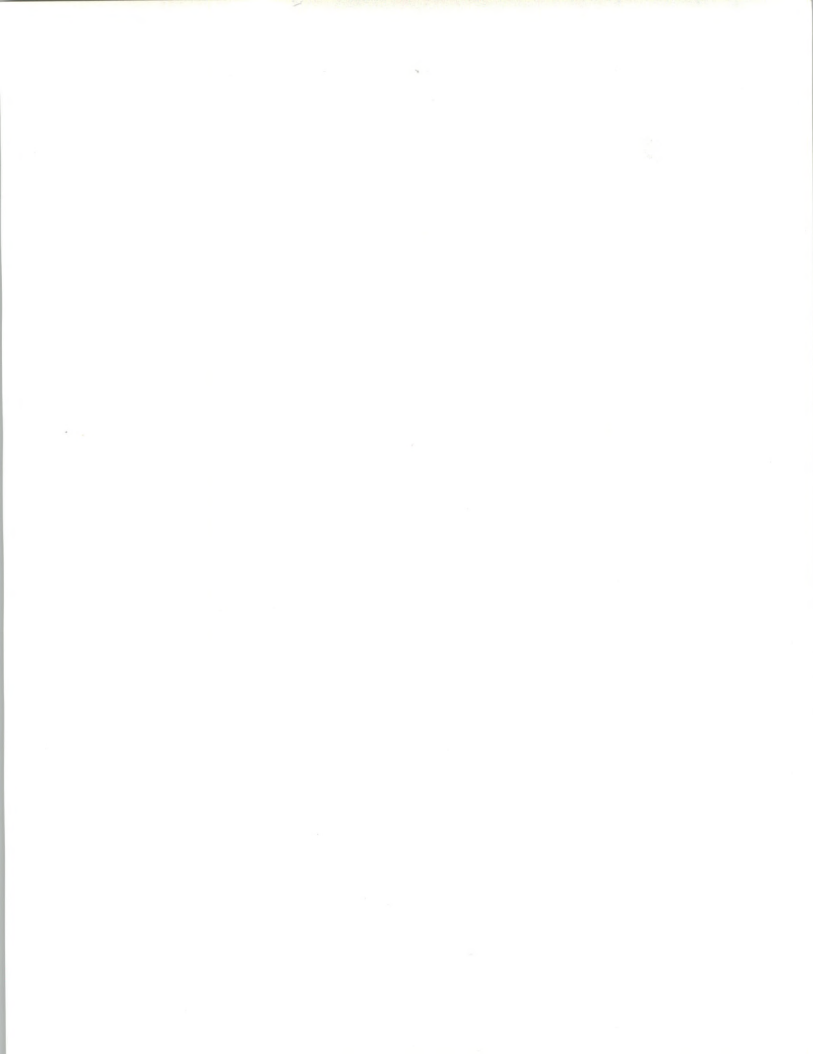




# ISSC/Zale Corp.

- Part of large outsourcing contract
- Provides:
  - PC/workstation maintenance
  - Software upgrade
  - Help desk

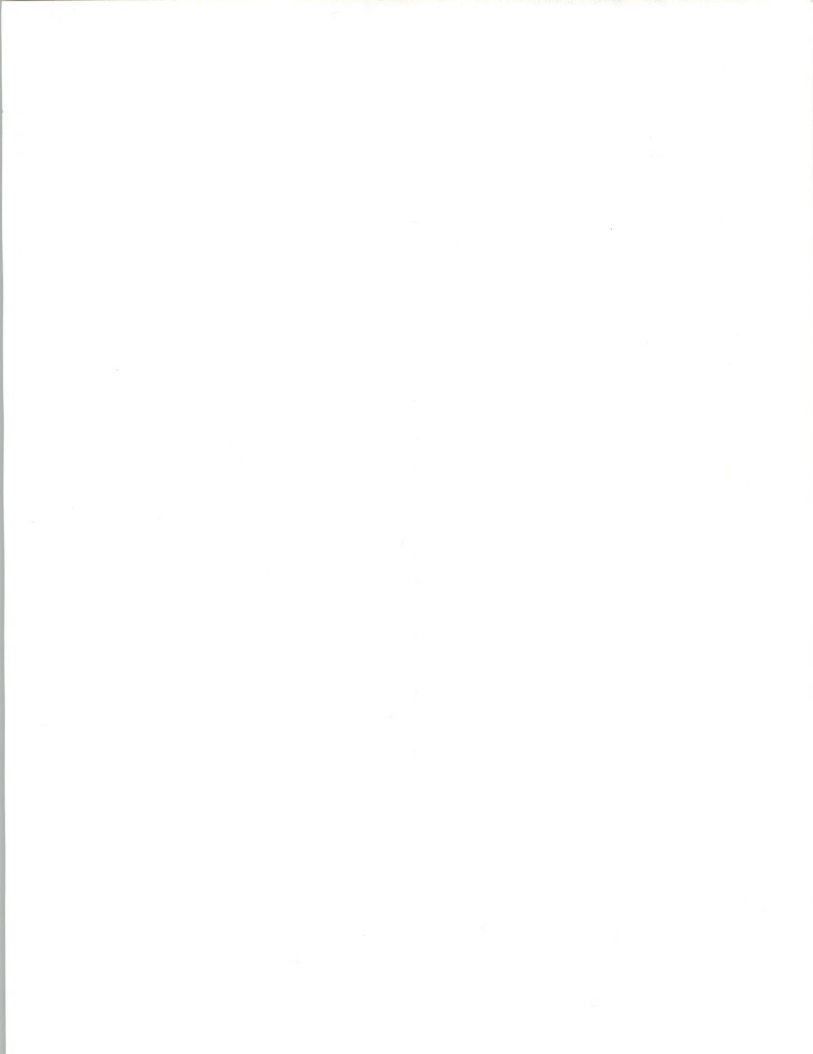
OU-76  
4/15/92



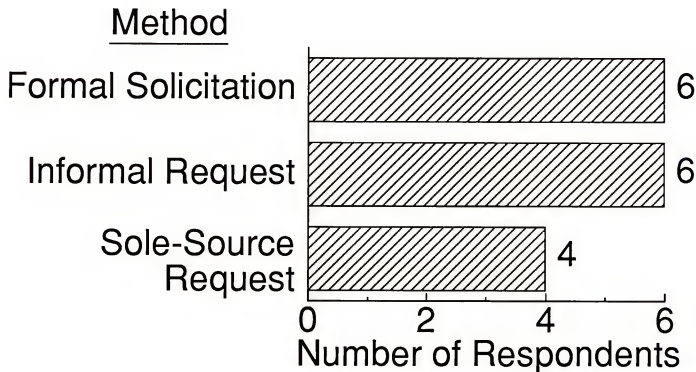
# Benefits of Desktop Services

- Clients regain control over PCs
- Management shifts to vendor
- Expenses are predictable
- Enhancements easier to implement
- Standards are a by-product

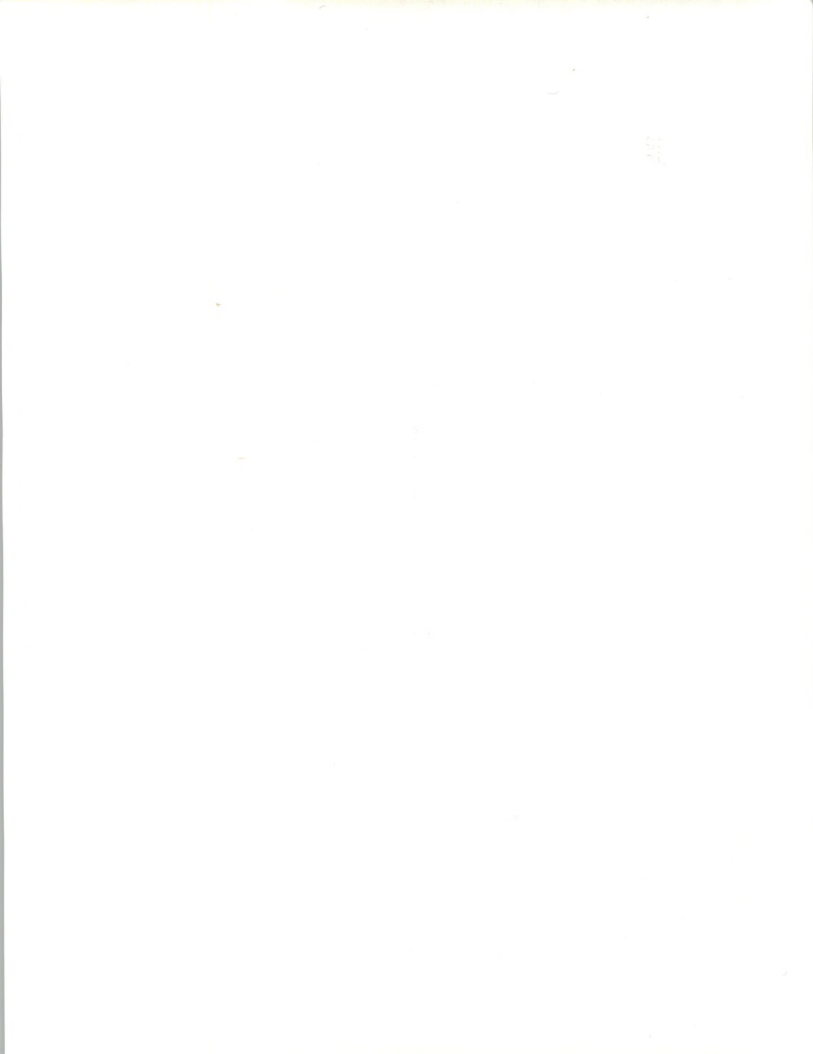
OU-78



# Vendor Solicitation Methods



OU-82  
4/23/92



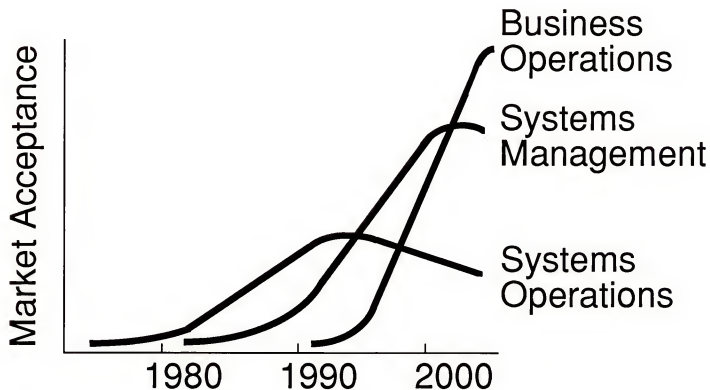
# Information Systems Outsourcing

OU-83  
6/10/92





# Outsourcing Market Waves



OU-84  
6/10/92



# U.S. Outsourcing Market Forecast

OU-85  
6/10/92



# Outsourcing Market Trends/Issues

OU-86  
8/10/92



# Major Contracts

OU-67  
6/10/92





# Outsourcing Contracting and Pricing

OU-88  
6/10/92



# Value Pricing Concept

- Three components
  - Audience
  - Determine benefit
  - Cost of achieving benefit
- EDS and DEC

OU-89  
6/10/92



# Market Diversification

OU-90  
6/10/92



# Business Operations Outsourcing

OU-91  
6/10/92





# Transition Outsourcing

- Vendor manages current systems operations
- Client develops new systems
- Client transitions to new systems environment

OU-92  
8/4/92



# Transition Outsourcing

- Tool for management of change
- Controlled phase-out approach
- Management of existing operations
- Short-term agreement

OU-93  
8/4/92



# Typical Transition Contracts

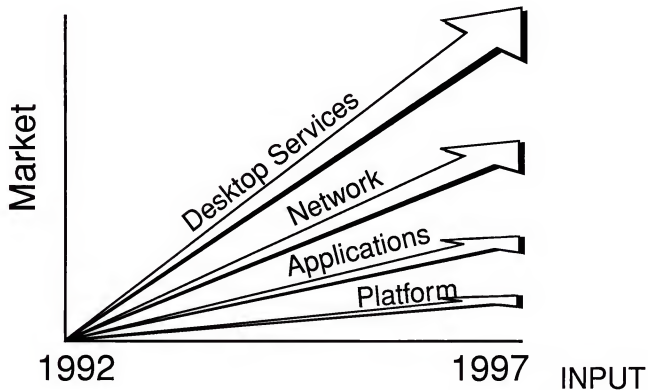
Client	Vendor	Value (\$M)
Dial Corp.	Andersen	10
Revlon, Inc.	Andersen	2
Penrod Drilling	EDS	2
Combustion Engr.	Power	1
Freeport-McMoran	ISSC (?)	10 *

\*Estimate

OU-94  
8/4/92



# Changing Outsourcing Options

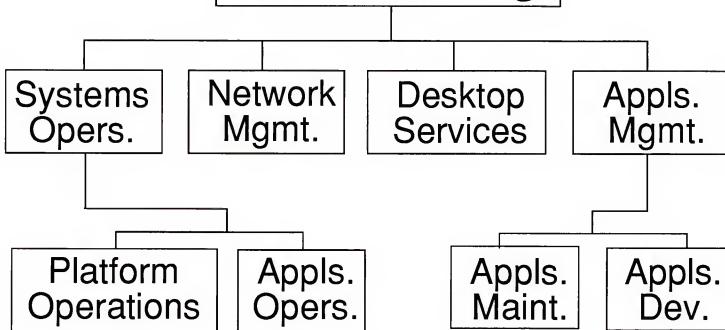


OU-104  
8/19/92

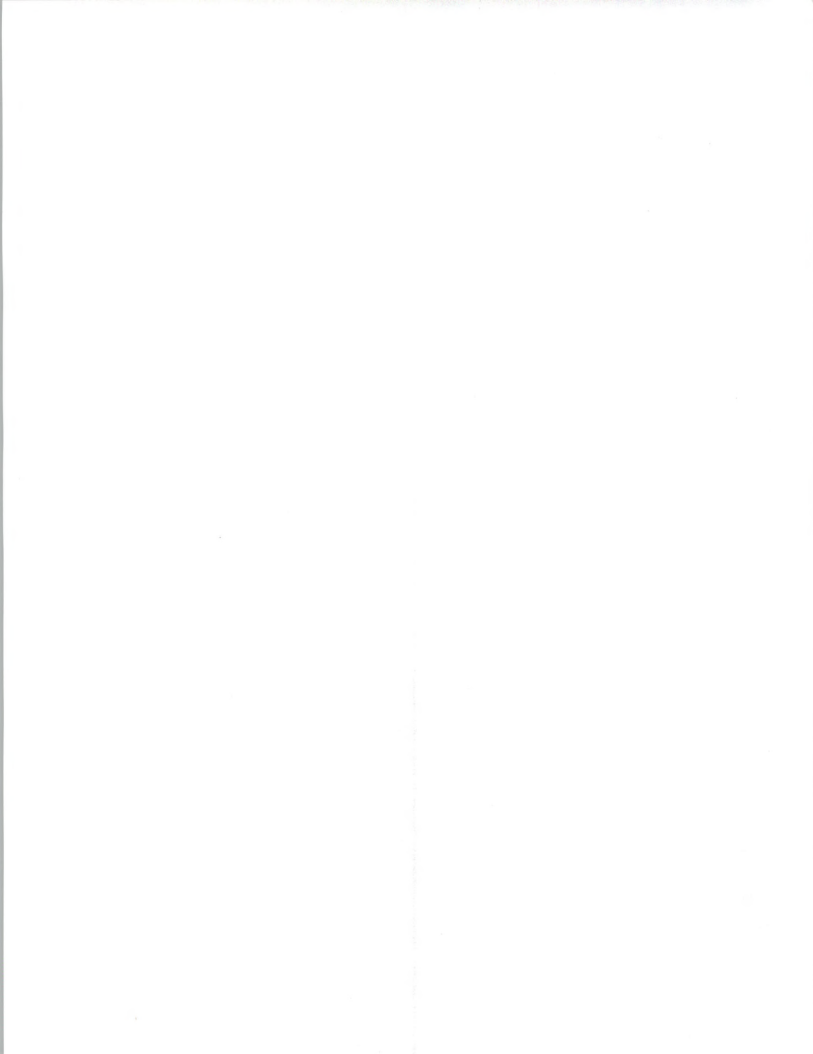




# Outsourcing



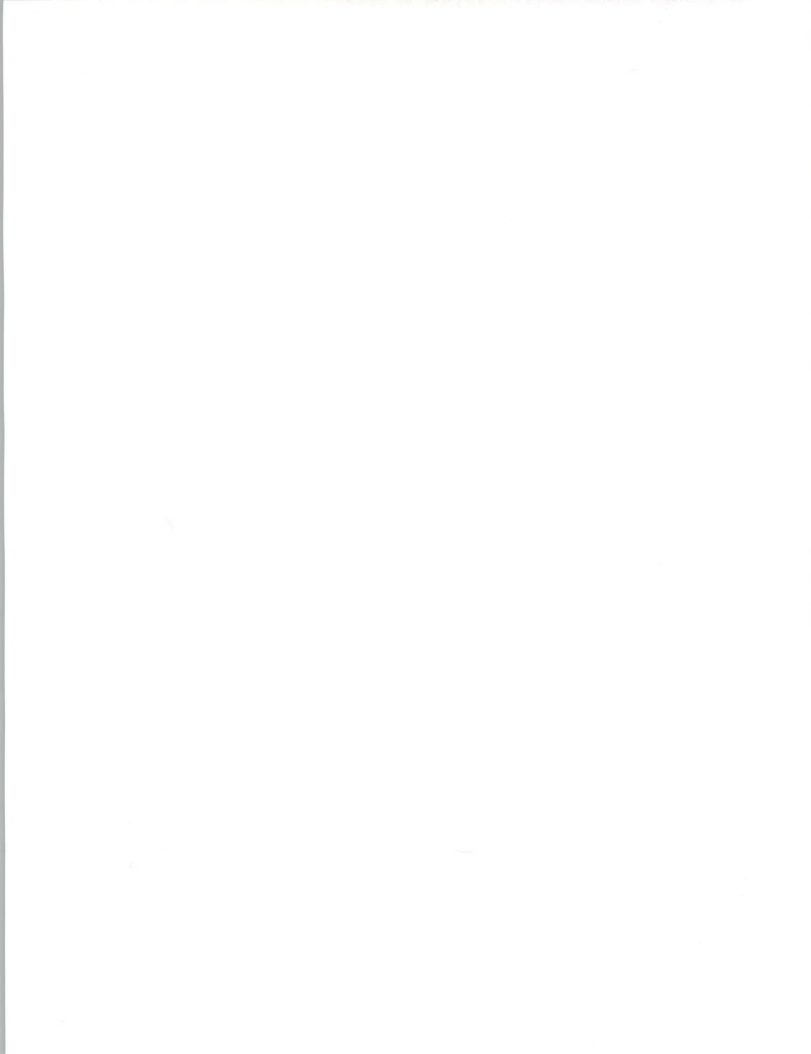
OU-117  
8/19/92



# Drivers to Desktop Services

- Whole environment is new and complex
- IS departments lack skills, coverage and inclination
- Users lack skills and inclination
- Third parties are acceptable

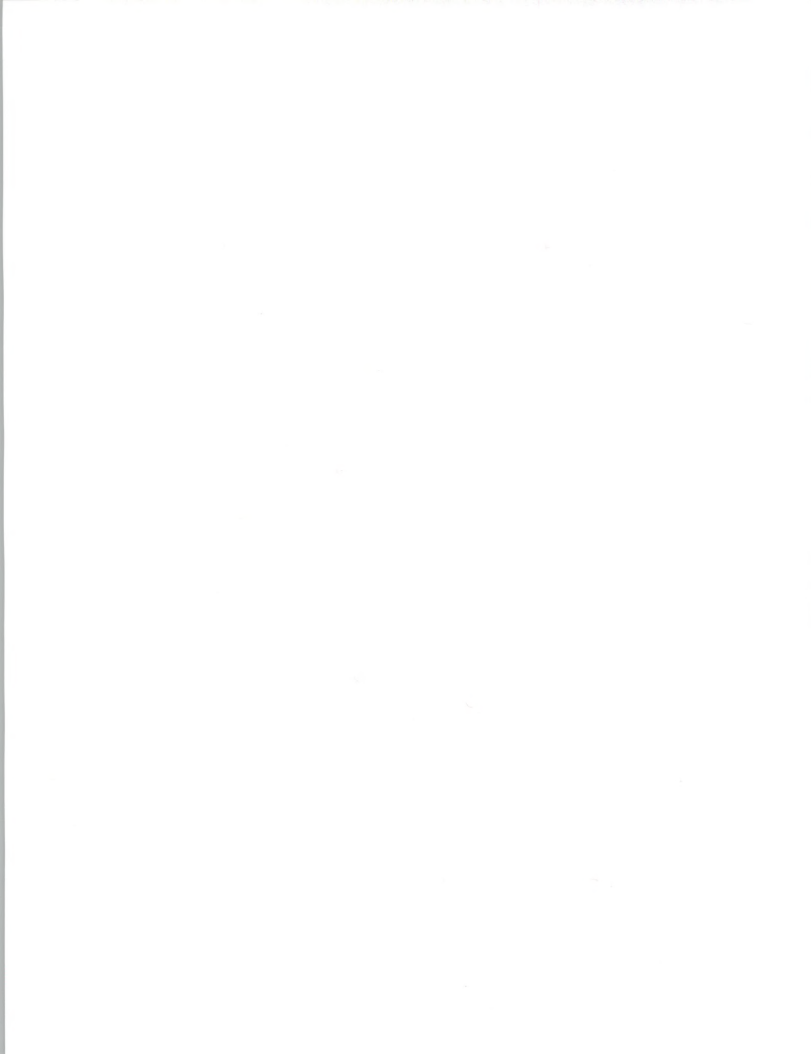
OU-118  
8/19/92



# Opportunities for Desktop Services Suppliers

- Become equipment/software suppliers
- Direct contract with users creates SI/professional services opportunities

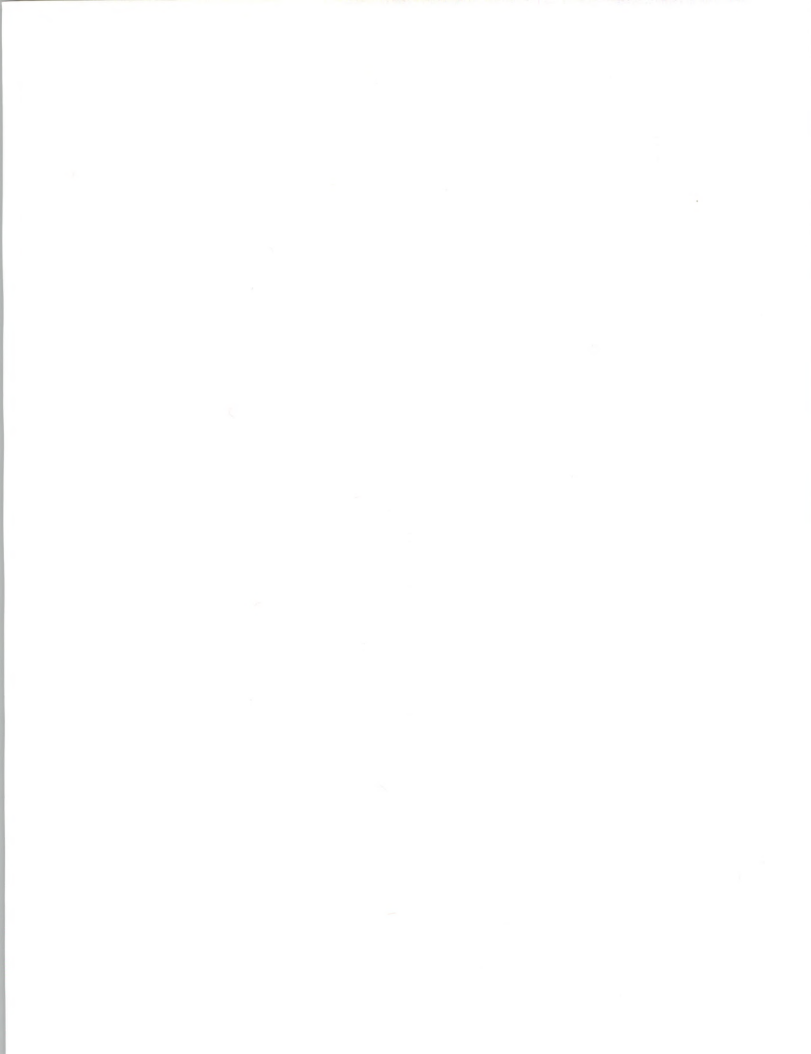
OU-119a  
8/19/92



# Opportunities for Desktop Services Suppliers

- Considerable 'add-on' potential, including
  - Telecommunication systems
  - Office (e.g., image) systems

OU-119b  
8/19/92

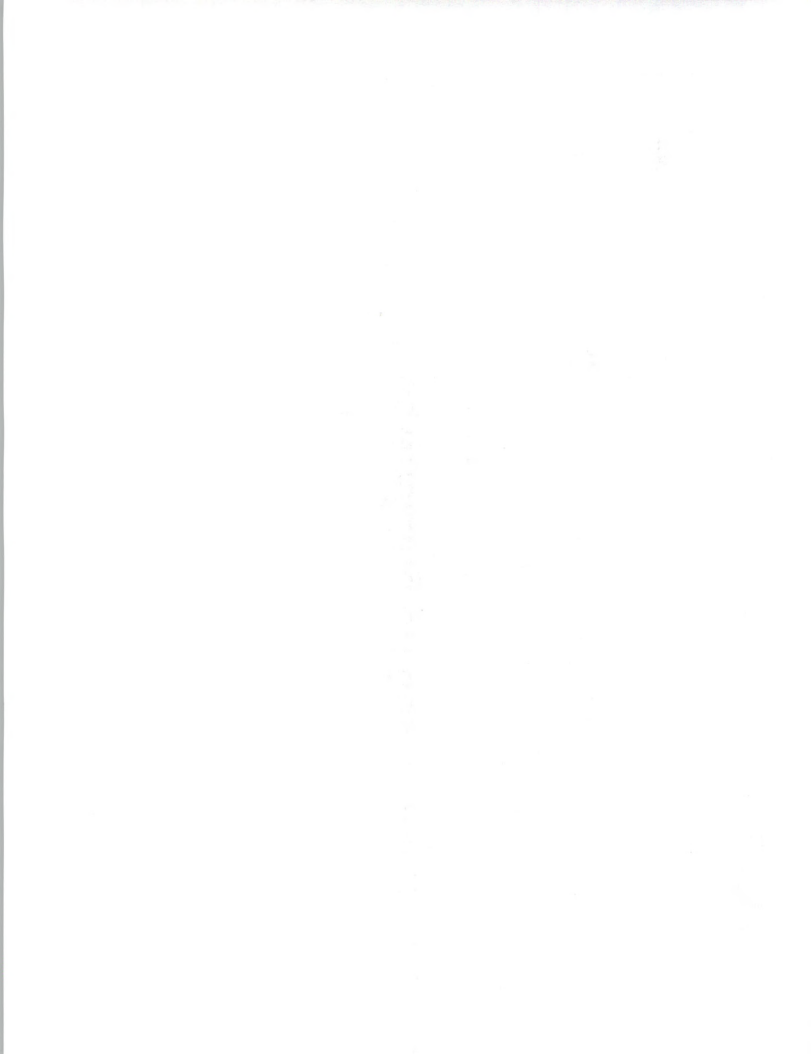




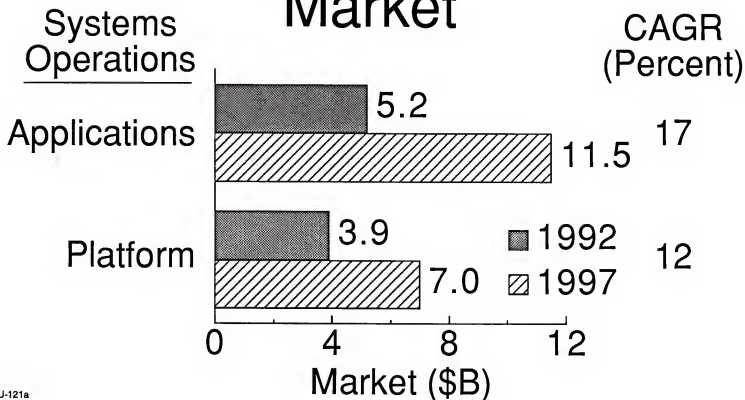
# Introduction

- Changing outsourcing options
- Outsourcing strategies
- Impact of downsizing on outsourcing
- User concerns
- Vendor directions and strategies
- Conclusions/recommendations

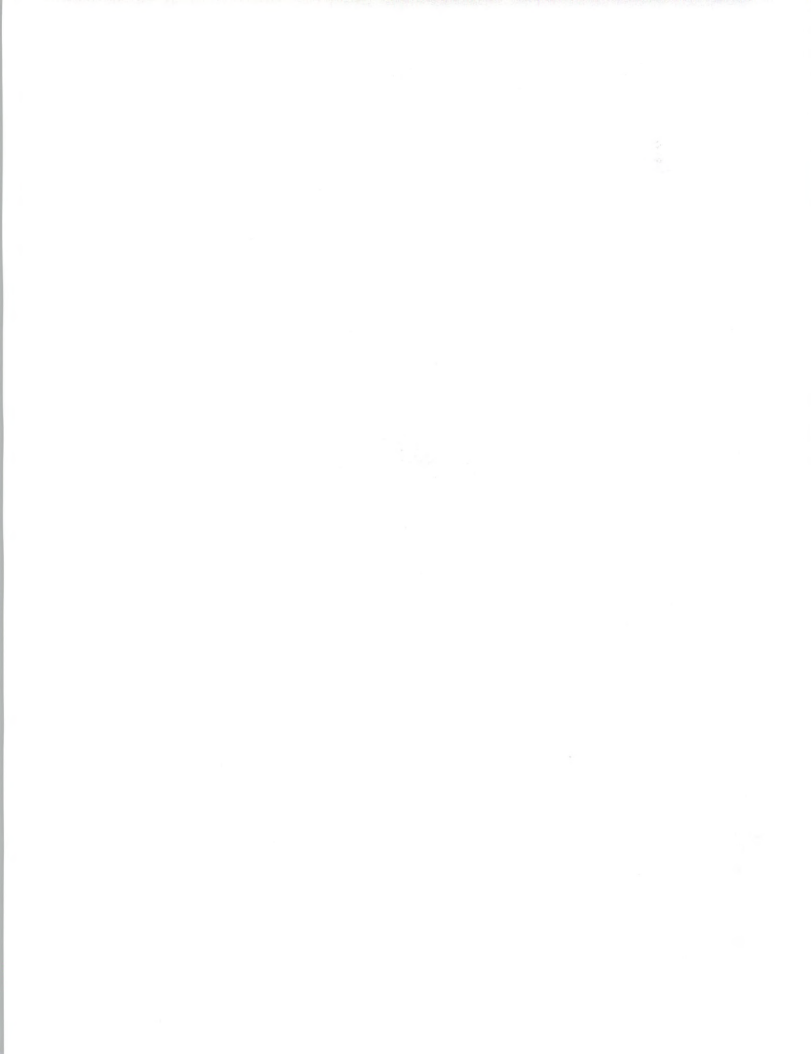
OU-120  
10/29/92



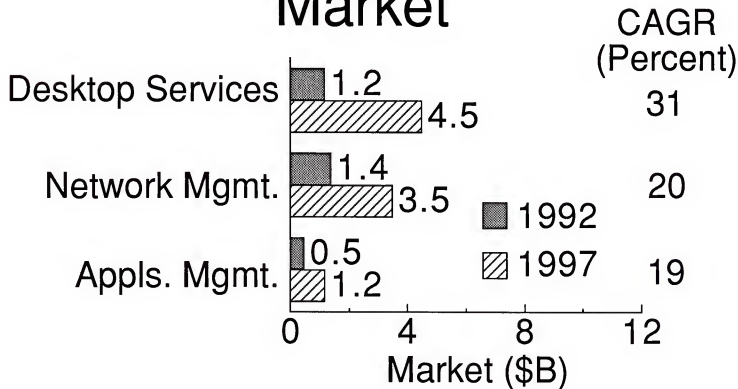
# Changing Outsourcing Market



OU-121a  
10/29/92



# Changing Outsourcing Market



OU-121b  
10/29/92

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# Current Outsourcing Strategies

- Economic strategy
- Service enhancement

OU-122  
10/29/92





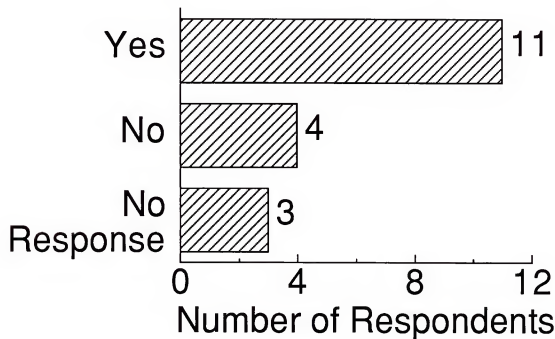
# New Outsourcing Strategies

- Transition strategy
- Change agent
- Business strategy

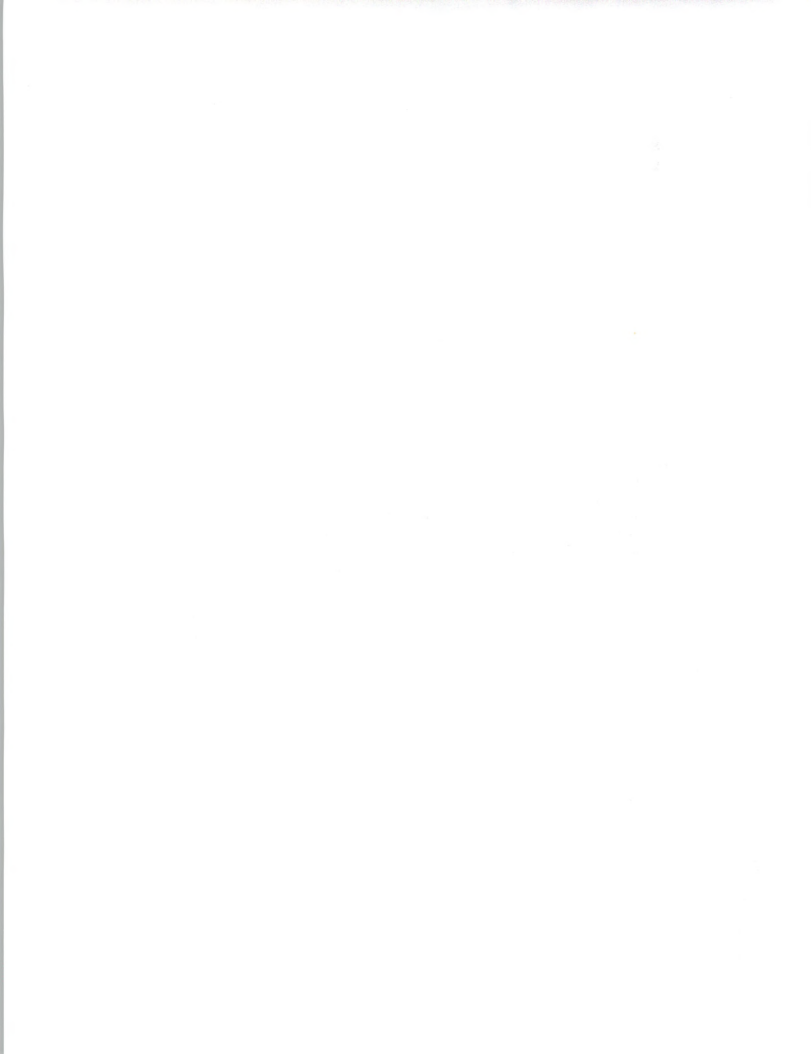
OU-123  
10/29/92



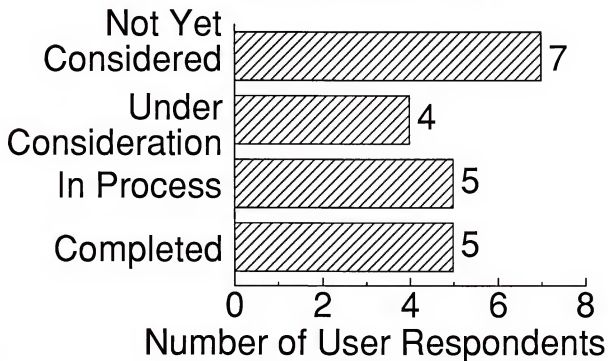
## Both Outsourcing and Downsizing Viable?



OU-124  
10/29/92



# Impact of Downsizing on Outsourcing



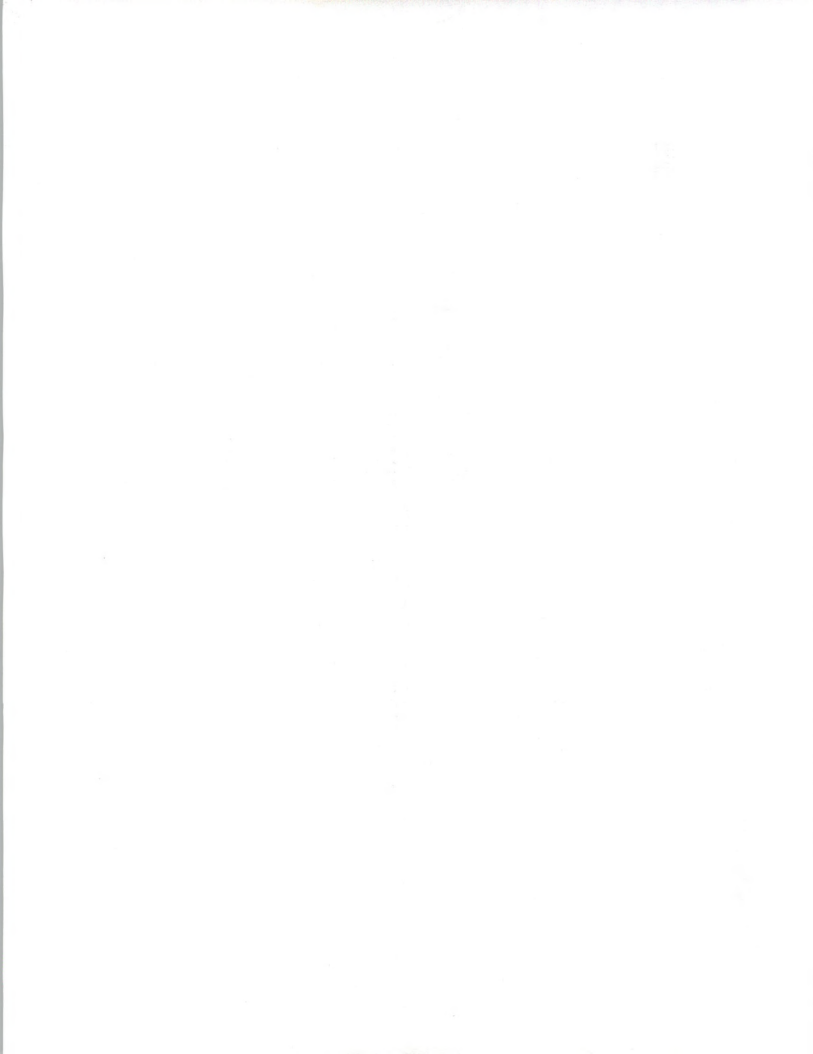
OU-125  
10/29/92



# Vendor Challenges

- Provide full service range
- Maintain flexible organization
- Meet growing network requirements
- Educate users on expectations

OU-127  
10/29/92

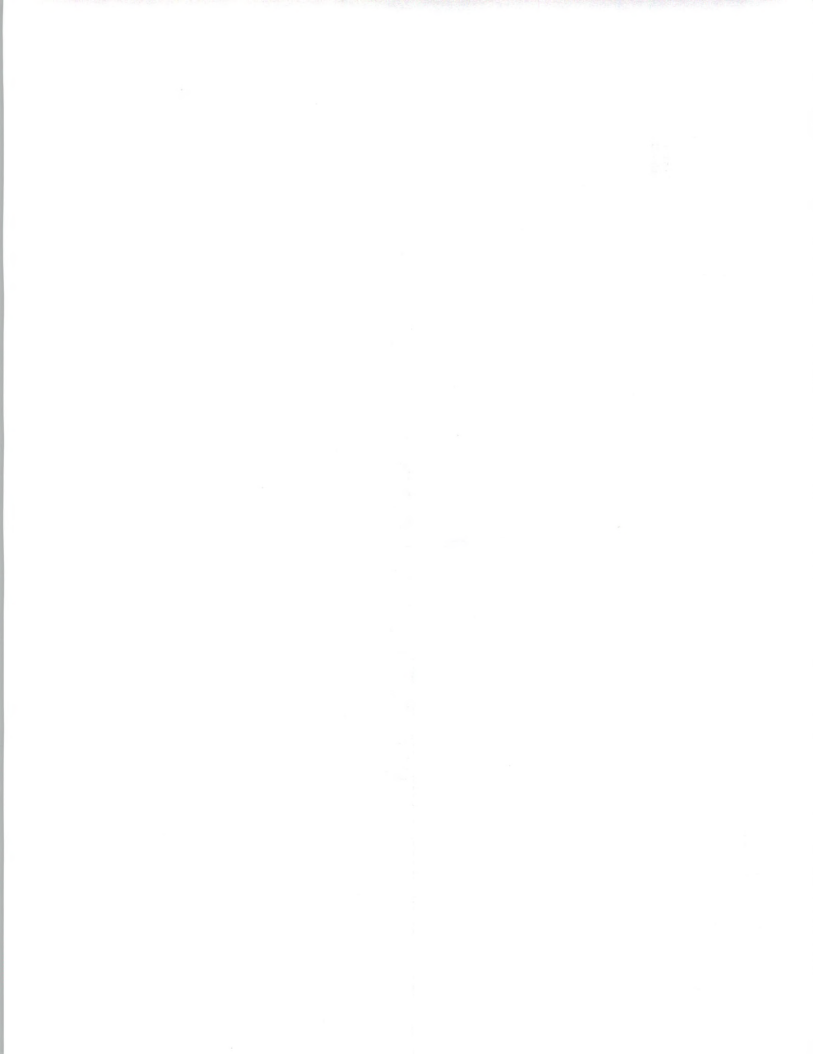




# User Concerns

- Define requirements clearly
- Re-engineer business operations
- Control IT resources
- Keep up with technology change

OU-130  
10/29/92



# Vendor Strategies

- Ride the downsizing wave...
  - Applications management
  - Network management
  - Desktop services

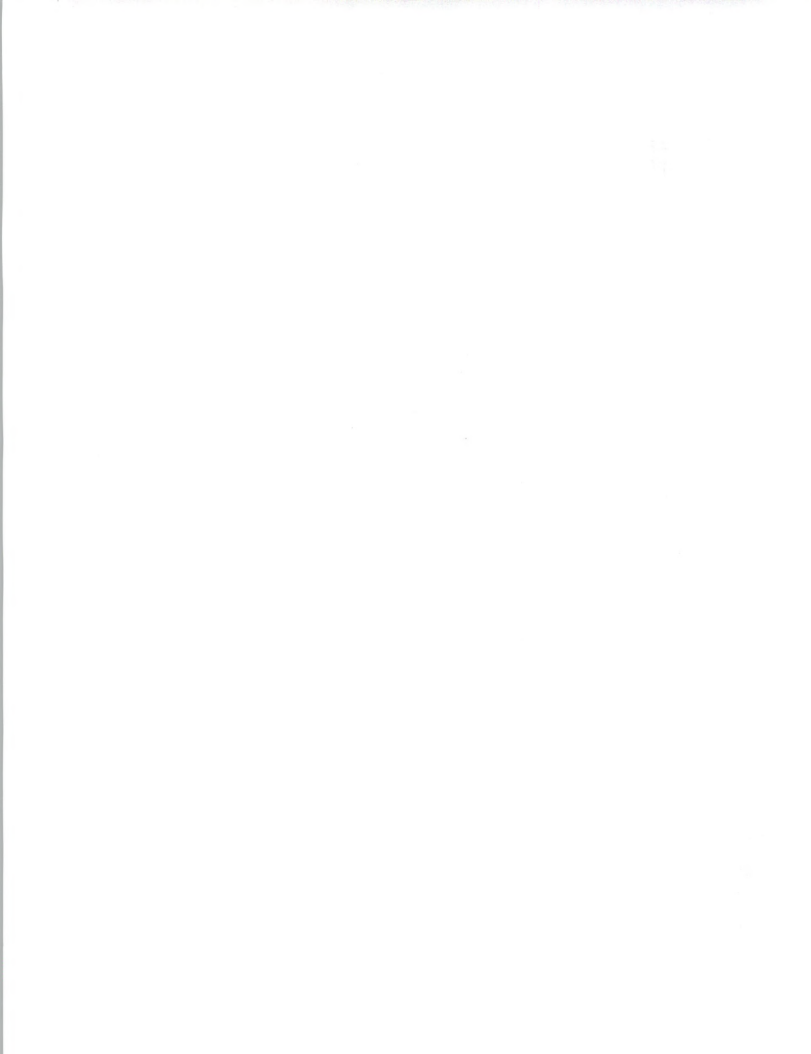
OU-131  
10/29/92



# Conclusions

- Downsizing provides outsourcing opportunities
  - Short term
    - Transition management

OU-132a  
10/29/92



# Conclusions

- Downsizing provides outsourcing opportunities
  - Long term
    - Desktop services
    - Network management
    - Applications management

OU-132b  
10/29/92





# Conclusions

- Outsourcing vendors to assume new roles
  - System integrator
  - Network manager
  - Business manager

OU-133  
10/29/92



# Introduction

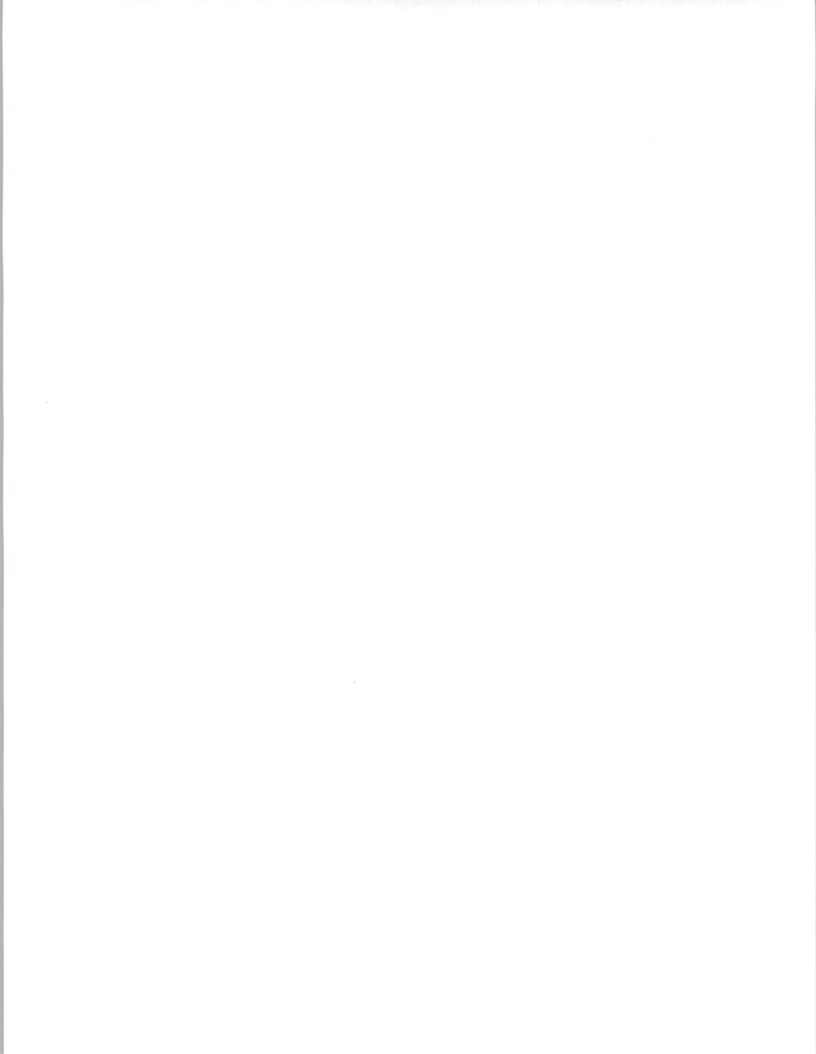
- Elements of desktop services
- Market size
- User requirements/concerns
- Vendor strategies
- Conclusions and recommendations

OU-134  
10/29/92

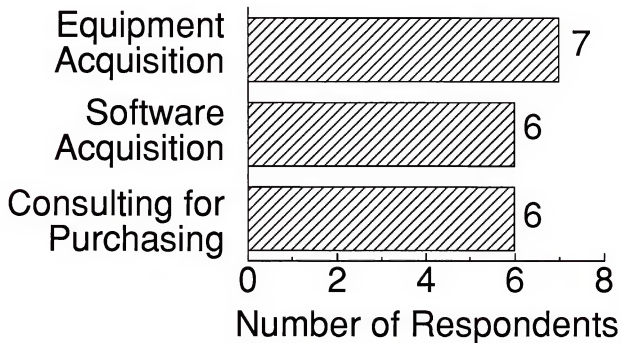


# Elements of Desktop Services

OU-135  
10/29/92



# Supply Services Required

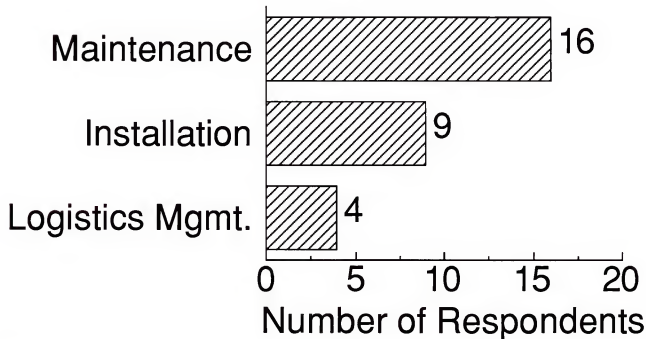


OU-136  
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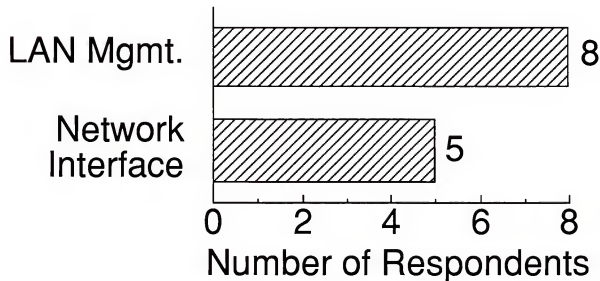
# Equipment Support Required



OU-137  
10/29/92



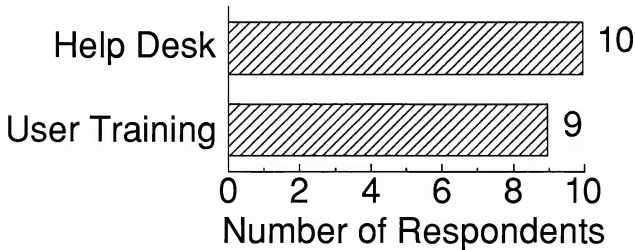
# Connectivity Services Required



OU-138  
10/29/92



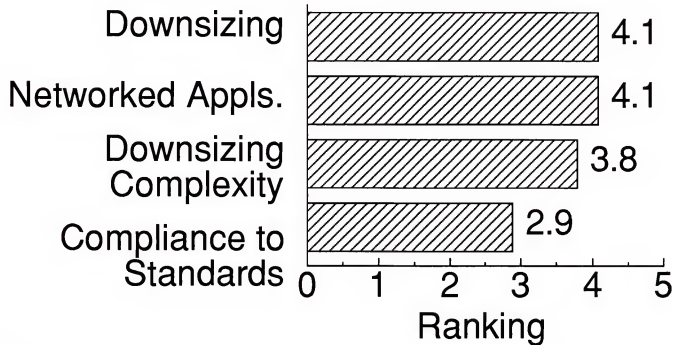
# User Support Required



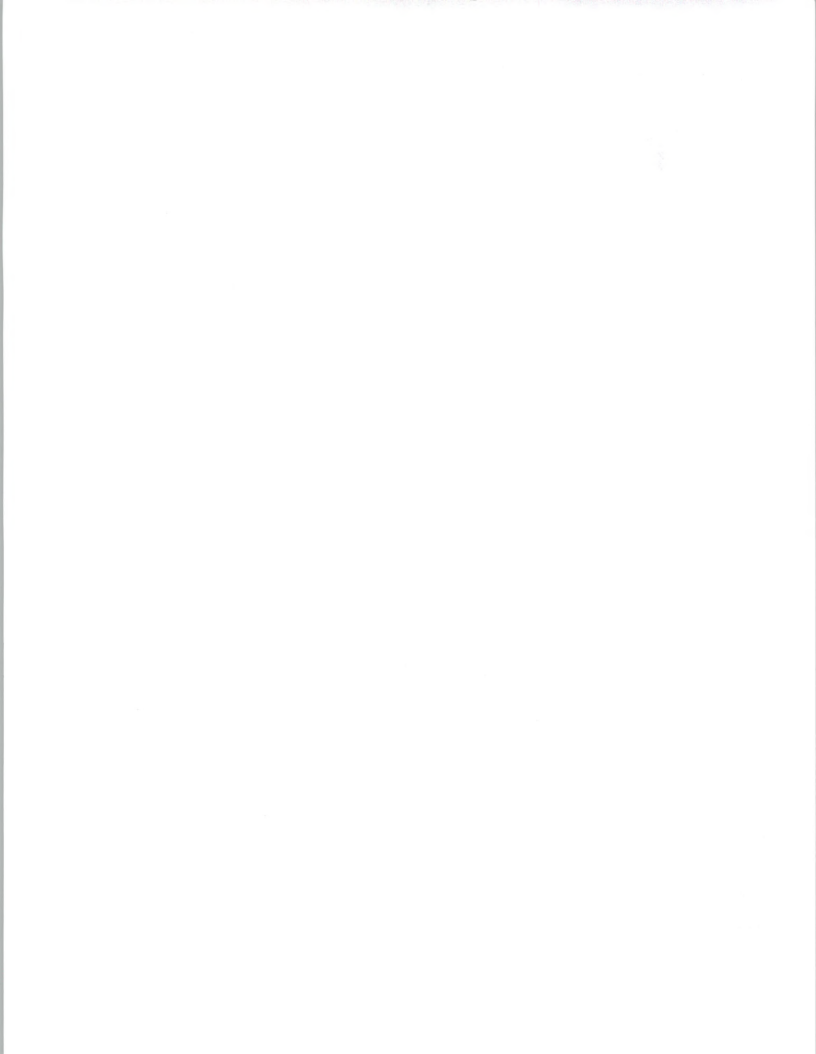
OU-139  
10/29/92



# What Is Spurring Desktop Services?

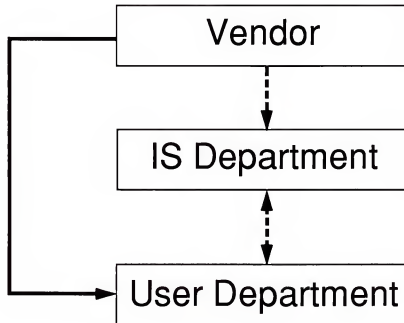


OU-140  
10/29/92





# Change in Client Interface



OU-141  
10/29/92



# User Requirements

- “80% solutions” today
- Convenient interface/access
- Training
- Rapid problem resolution

OU-142  
10/29/92



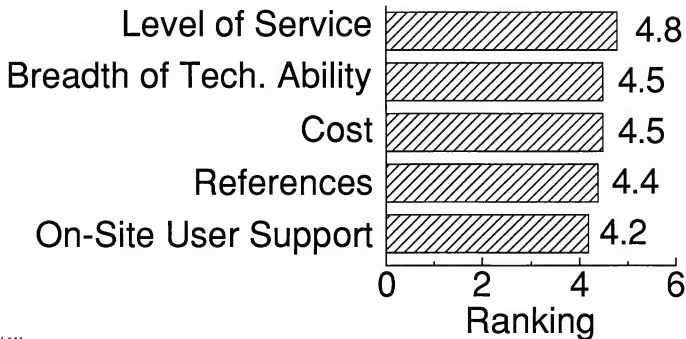
# IS Department Requirements

- Control over standards
- Predictable costs
- Relief from management burden
- Removal from daily problems

OU-143  
10/29/92



# Major User Criteria for Desktop Vendors



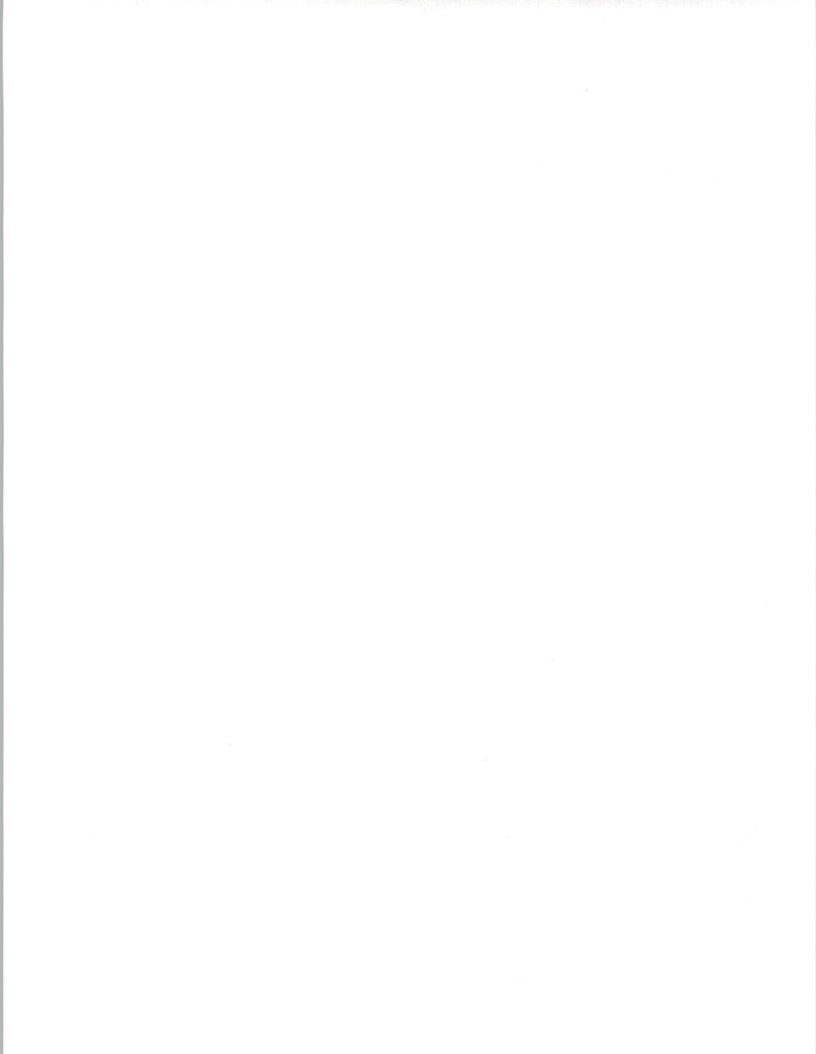
OU-144  
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# Vendor Strategies

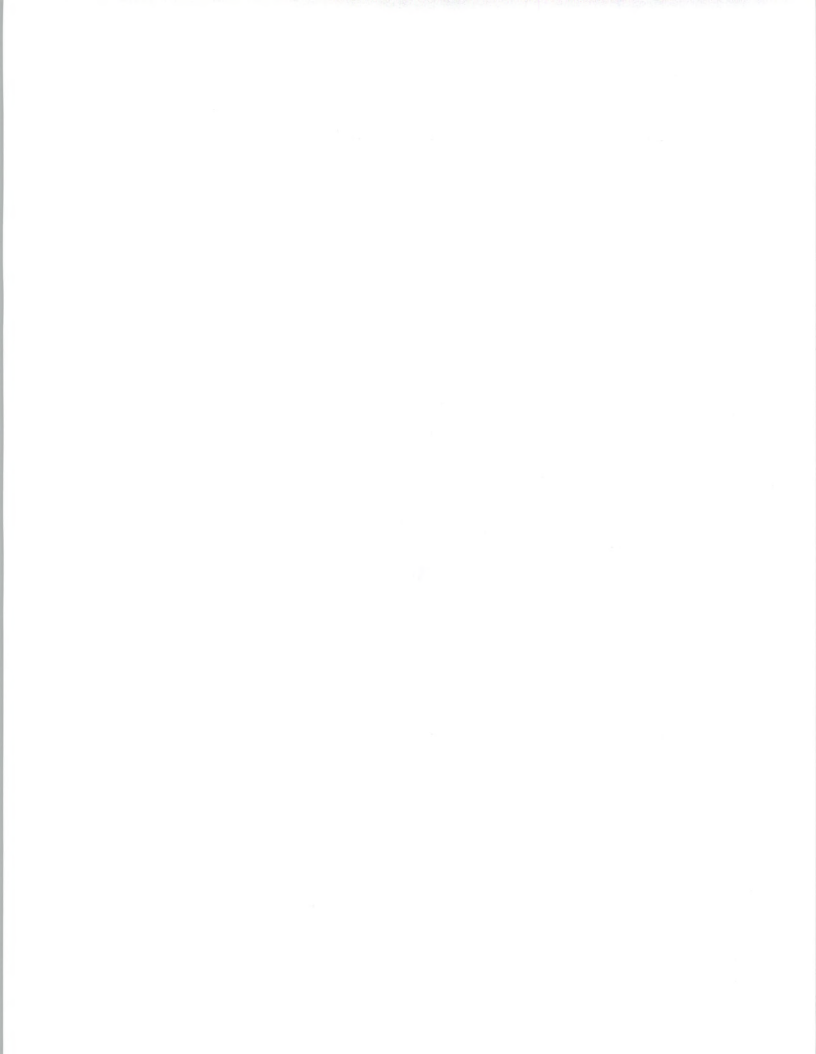
OU-149  
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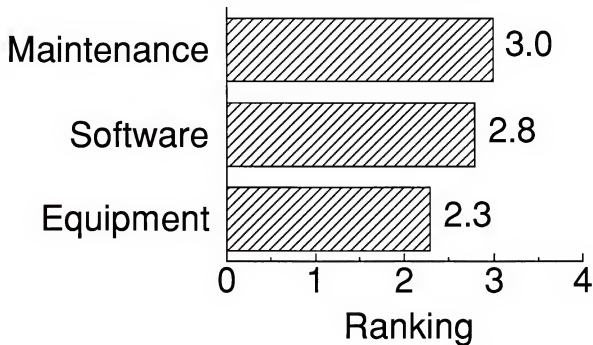
# Desktop Vendor Requirements

- Need local presence
- Need large, dispersed staff
- Control inventory
- Educate users

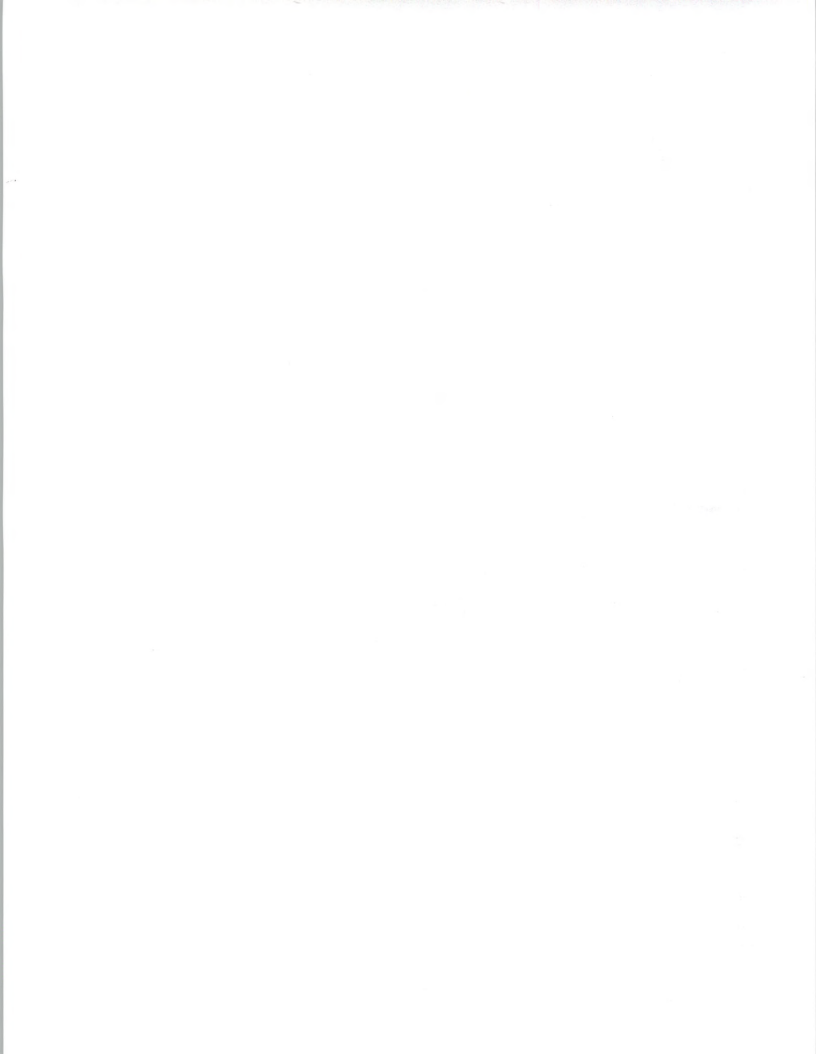
OU-150  
10/29/92



# Least Profitable Desktop Components



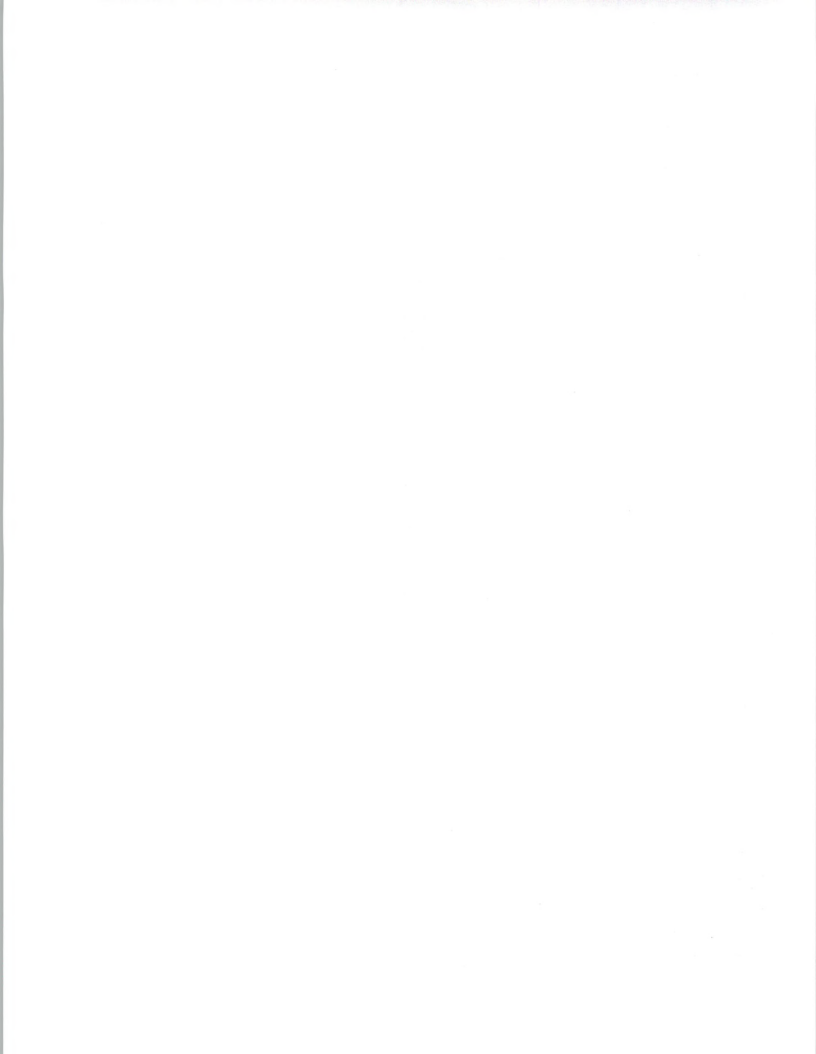
OU-151  
10/29/92



# Opportunities for Outsourcing Vendors

- Provide additional services
- Broaden client penetration
- Protect existing relationship
- Create application management opportunity

OU-152  
10/29/92





# Recommendations and Conclusions

OU-153  
10/29/92



# Vendor Recommendations

- Develop new staff capabilities
- Invest in management tools
- Form alliances

OU-154  
10/29/92



# User Recommendations

- Standardize equipment/software
- Invest in training
- Be skeptical of technology

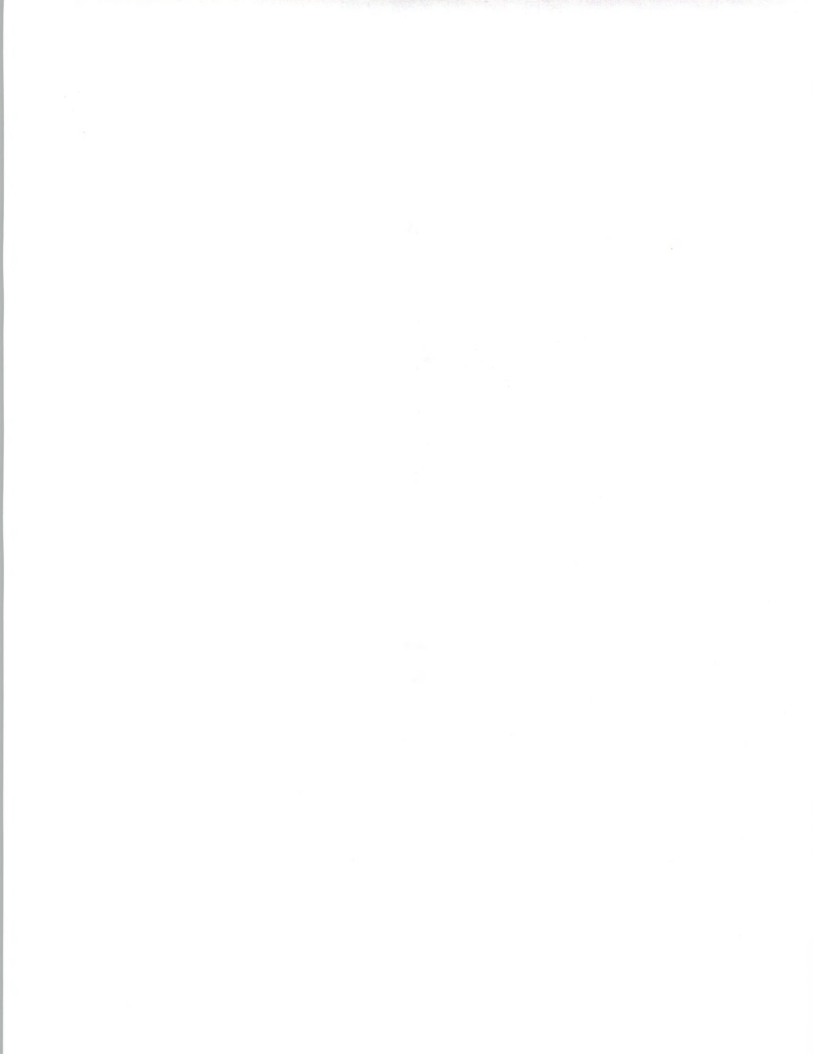
OU-155  
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# Conclusions

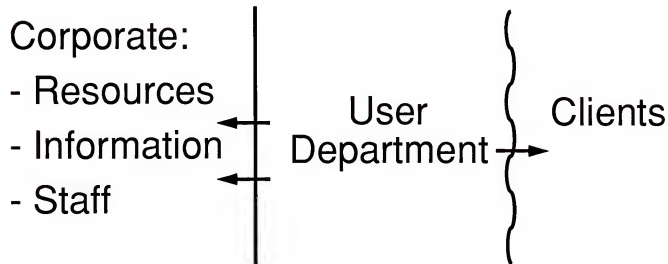
- Vendors need to support downsizing
- Desktop services difficult to manage
- Benefits to users significant
- Growth potential explosive

OU-156  
10/29/92

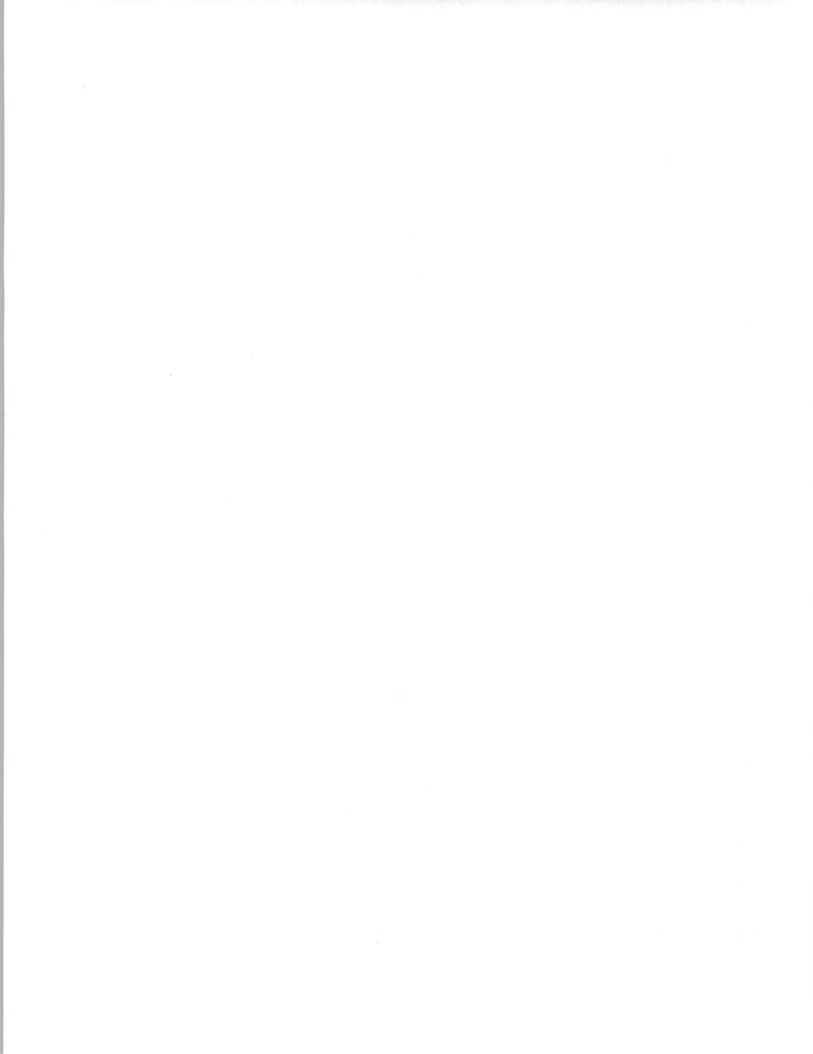




# User Environment Changing



OU-157  
10/29/92



# Vendor Directions

- IBM/Sears joint venture
- EDS restructure/refocus
- Ameritech/May-Speh partnership

OU-158  
10/29/92



# Recommendations Vendors

- Position for change
- Restructure for diversity
- Assume role of change agent

OU-159  
10/29/92



# Recommendations Users

- Consider all options
- Forget non-critical functions
- Manage outsourcing relationships

OU-160  
10/29/92

